CITY OF SALEM, WEST VIRGINIA
SEWER REFUNDING REVENUE BONDS, SERIES 2018 A (BANK QUALIFIED); AND
SEWER REVENUE BONDS, SERIES 2018 B (BANK QUALIFIED)

CONFORMED BOND ORDINANCE[1]

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CITY OF SALEM, WEST VIRGINIA

AN ORDINANCE AUTHORIZING THE REFUNDING OF THE ISSUER'S OUTSTANDING SEWER REVENUE BONDS, SERIES 1995 B AND THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING SEWER SYSTEM OF THE CITY OF SALEM AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $1,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REFUNDING REVENUE BONDS, SERIES 2018 A (BANK QUALIFIED); AND NOT MORE THAN $2,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2018 B (BANK QUALIFIED); PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE BONDS; AND ENACTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

WHEREAS, the City of Salem (the "Issuer" or the "City") presently owns and operates a public sewer system and has heretofore financed the acquisition and construction of the System and certain additions, betterments and improvements thereto through the issuance of several series of bonds or refunding bonds;

WHEREAS, under the provisions of Chapter 16, Article 13 of the Code of West Virginia, 1931, as amended (the "Act"), the Issuer is authorized to issue refunding revenue bonds for the purpose of refunding, paying or discharging all or any part of its outstanding revenue bonds, including interest thereon;

WHEREAS, the Issuer has determined and hereby determines that present value debt service savings would result from the Issuer's current refunding of its outstanding Sewer Revenue Bonds, Series 1995 B, dated June 27, 1995, issued in the original aggregate principal amount of $2,000,000 (the "Series 1995 B Bonds");

WHEREAS, the Issuer has determined that it is in the best interests of the inhabitants of the City of Salem and other users of the System to currently refund its outstanding Series 1995 B Bonds;

WHEREAS, the Issuer has determined that the aforementioned refunding of the Series 1995 B Bonds should be financed with the proceeds from the issuance of the City's Sewer Refunding Revenue Bonds, Series 2018 A, in the original aggregate principal amount of not more than $1,500,000 (the "Series 2018 A Bonds"), such Series 2018 A Bonds to be secured by and payable from the Net Revenues (as hereinafter defined) of the System; and

WHEREAS, under the provisions of the Act, the Issuer is authorized and empowered to acquire, construct and operate extensions, additions, betterments and improvements for the System, consisting of approximately 2,700 linear feet of 18-inch corrugated HDPE storm sewer line, 32 "Type A" storm inlets, 11 precast concrete culvert headwalls, 3 "Type A" storm manholes, 7 sanitary manholes, 1,750 linear feet of 8-inch PVC gravity sewer, 600 linear feet of 4-inch PVC gravity customer lateral, and all necessary appurtenances (collectively, the "Project") (the existing public sewer system of the Issuer, the Project and any further extensions, additions, betterments and improvements thereto are herein called the "System") in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer;

WHEREAS, the Issuer has determined, and does hereby affirm, that the acquisition and construction of certain extensions, additions, betterments and improvements to the System, is necessary, appropriate, useful and desirable for the health, safety, and welfare of the inhabitants of the City and surrounding areas;

WHEREAS, the Issuer has determined that the aforementioned acquisition and construction of extensions, additions, betterments and improvements to the System should be financed, as provided under the Act, in whole or in part, from the proceeds of revenue bonds to be issued by the Issuer, to pay all or any portion of the costs thereof, and to enact this Ordinance and issue its Sewer Revenue Bonds, Series 2018 B (Bank Qualified) (the "Series 2018 B Bonds"), such Series 2018 B Bonds to be secured by and payable from the Net Revenues of the System, and containing such other terms and provisions as are hereinafter provided, all in the manner set forth herein;

WHEREAS, the Series 2018 A Bonds and Series 2018 B Bonds are collectively known as the "Series 2018 Bonds"; and

WHEREAS, the Issuer has determined and hereby determines that it is in the best interest of the residents of the City that its Series 2018 Bonds be sold to the Original Purchaser (as hereinafter defined) thereof pursuant to the terms and provisions of a bond purchase agreement (the "Bond Purchase Agreement") between the Issuer and the Original Purchaser.

NOW, THEREFORE, THE COUNCIL OF THE CITY OF SALEM HEREBY ORDAINS:

ARTICLE I

DEFINITIONS, STATUTORY AUTHORITY AND FINDINGS

Section 1.01. Definitions. All capitalized terms used in this Ordinance and not otherwise defined in the recitals hereto shall have the meanings specified below, unless the context expressly requires otherwise:

"Act" means Chapter 16, Article 13 of the West Virginia Code of 1931, as amended and in effect on the Closing Date for the Series 2018 Bonds.

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

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

"Bond Counsel" means any law firm having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds, appointed by the Issuer, and shall initially mean Steptoe & Johnson PLLC, Charleston, West Virginia.

"Bondholder," "Holder," "Holder of the Bonds," "Owner of the Bonds," "Registered Owner," or any similar term means any person who shall be the registered owner of any outstanding Bond.

"Bond Insurer" means any entity which shall insure all or any portion of the payment of principal of and interest on the Bonds, and with respect to the Series 2018 Bonds shall initially mean the bond insurer or bond insurers, if any, named in the Supplemental Resolution.

"Bond Purchase Agreement" means the Bond Purchase Agreement between the Issuer and the Original Purchaser relating to the sale and purchase of the Series 2018 Bonds.

"Bond Register" means the books of the Issuer maintained by the Registrar for the registration and transfer of the Series 2018 Bonds.

"Bonds" means, collectively, the Series 2018 Bonds, and any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained herein.

"Business Day" means any day other than a Saturday, Sunday or a day on which national banking associations, West Virginia banking corporations or the New York Stock Exchange are authorized by law to remain closed.

"Certificate of Authentication and Registration" means the Certificate of Authentication and Registration on the Series 2018 Bonds in substantially the forms set forth in EXHIBIT A-1 – FORM OF SERIES 2018 A BONDS and EXHIBIT A-2 – FORM OF SERIES 2018 B BONDS attached hereto.

"City" or "Issuer" means the City of Salem, a municipal corporation and political subdivision of the State of West Virginia, in Harrison County thereof, and, where appropriate, the Council, and any successor thereto.

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

"City Council" or "Council" means the City Council of the Issuer or any other governing body of the Issuer that succeeds to the functions of the Council as presently constituted.

"Closing Date" means the date upon which there is an exchange of the Bonds for the proceeds representing the original purchase price thereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and Regulations thereunder and such guidance with respect thereto as may be issued by the Internal Revenue Service or Department of the Treasury from time to time.

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

"Consulting Engineers" means E.L. Robinson, Charleston, West Virginia, or any independent qualified engineer or engineers or firm or firms of engineers that shall at any time now or hereafter be retained by the Issuer as Consulting Engineers for the System, or portion thereof.

"Continuing Disclosure Agreement" means the agreement delivered by the Issuer to disseminate annual financial information and material event disclosures as required by Rule 15c2-12.

"Costs" or similar terms means all those costs now or hereafter permitted by the Act to be financed with bonds issued pursuant hereto, including, without limitation those costs set forth in Section 1.02C.

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

"Depository Bank" means the bank or banks to be designated as such in the Supplemental Resolution, and any other bank or national banking association located in the State of West Virginia, eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC that may hereafter be appointed by the Issuer as Depository Bank.

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

"DTC-eligible" means, with respect to the Series 2018 Bonds, meeting the qualifications prescribed by DTC.

"Event of Default" means any occurrence or event specified in Section 7.01 hereof.

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

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

"Governing Body" means the City Council of the Issuer or any other governing body of the Issuer that succeeds to the functions of the City Council, as it may now or hereafter be constituted.

"Government Obligations" shall have the meaning set forth in the Supplemental Resolution.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System and includes investment income, connection fees, disconnections fees, System use charges and fees, and all other items of income which have been established as reasonably anticipated annual income of the System, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts, and

includes any proceeds from the sale or other disposition of capital assets, but does not include any increase in the value of capital assets (including Qualified Investments).

"Independent Certified Public Accountant" means the West Virginia State Tax Department or any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the Issuer to prepare an independent annual or special audit of the accounts of the System or for any purpose except keeping the accounts of said System in the normal operations of its business and affairs.

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract, investment-type property or residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes other than specified private activity bonds as defined in Section 57(a)(5)(C) of the Code.

"Maximum Annual Debt Service" means, at the time of computation, the greatest amount of Debt Service required to be paid on the Bonds for the then current or any succeeding Fiscal Year.

"Mayor" means the Mayor of the Issuer.

"Municipal Bond Insurance Policy" means the municipal bond insurance policy, if any, issued by the Bond Insurer simultaneously with the delivery of the Series 2018 Bonds insuring the timely payment of the principal of and interest on all or any of the Series 2018 Bonds in accordance with the terms thereof.

"Net Proceeds" means the face amount of the Series 2018 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, on such issue, and less proceeds deposited in the Series 2018 A Bonds Reserve Account and Series 2018 B Bonds Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2018 Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

"Net Revenues" means Gross Revenues less Operating Expenses.

"Nonpurpose Investment" means any Investment Property which is acquired with the gross proceeds of the Series 2018 Bonds and is not acquired in order to carry out the governmental purpose of the Series 2018 Bonds.

"Official Statement" means a document or set of documents prepared by an issuer of municipal securities or its representatives setting forth, among other matters, information concerning the Issuer of such municipal securities and the proposed issue of securities that is complete as of the date of delivery of the document or set of documents to the Original Purchaser.

"Operating Expenses" unless qualified, means the current expenses, paid or accrued, of repair, operation and maintenance of the System, and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses (other than those

capitalized as part of the costs of any project relating to the acquisition or construction of additions, betterments or improvements for the System), supplies, labor, wages, the cost of materials and supplies used for current operations, fees and expenses of fiscal agents and of the Depository Bank, Registrar and Paying Agent or Paying Agents, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles.

"Ordinance" or "Bond Ordinance" regardless of whether preceded by the article "the" or "this," means this Ordinance, as it may hereafter from time to time be amended or supplemented, by ordinance or by resolution.

"Original Purchaser" means Crews & Associates, Inc. or such other investment banking firm or firms, bank or banks or such other entity or entities as shall purchase the Series 2018 Bonds directly from the Issuer, as determined by the Supplemental Resolution.

"Outstanding" when used with reference to the Series 2018 Bonds and as of any particular date, describes all Bonds theretofore and thereupon being issued and delivered except (a) any Bond canceled by the registrar for such Bond at or prior to said date; (b) any Bond for the payment of which monies, equal to its principal amount, with interest to the date of maturity, shall be held in trust under this Ordinance and set aside for such payment (whether upon or prior to maturity); (c) any Bond deemed to have been paid as provided by Section 9.01 hereof; and (d) with respect to determining the number or percentage of Bondholders or Bonds for the purpose of consents, notices and the like, any Bond registered to the Issuer. Notwithstanding the foregoing, in the event that a Bond Insurer has paid principal of and/or interest on any Bond, such Bond shall be deemed to be Outstanding until such time as such Bond Insurer has been reimbursed in full.

"Paying Agent" means, initially, the West Virginia Municipal Bond Commission and any other paying agent for the Series 2018 Bonds which may be appointed by a resolution supplemental hereto, all in accordance with Section 8.12 hereof.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person or in any activity carried on by a person other than a natural person, excluding, however, use by a state or local governmental unit and use as a member of the general public.

"Project" means construction of extensions, additions, betterments and improvements for the System, consisting of approximately 2,700 linear feet of 18-inch corrugated HDPE storm sewer line, 32 "Type A" storm inlets, 11 precast concrete culvert headwalls, 3 "Type A" storm manholes, 7 sanitary manholes, 1,750 linear feet of 8-inch PVC gravity sewer, 600 linear feet of 4-inch PVC gravity customer lateral, and all necessary appurtenances.

"Purchase Price" for the purpose of computation of the Yield of the Series 2018 Bonds, has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the Series 2018 to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds of each maturity is sold or, if the Series 2018 Bonds are privately placed, the price paid by the first buyer of the Series 2018 Bonds or the acquisition cost of the first buyer. "Purchase Price," for purposes of computing Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds of the Series 2018 Bonds for

acquisition thereof, or if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Series 2018 Bonds.

"Qualified Investments" means and includes any investment permitted to be made by a municipality, public service district or public corporation of the State pursuant to State Law, specifically including but not limited to Chapter 8, Article 13, Section 22 of the Code of West Virginia and the West Virginia "consolidated fund" managed by the West Virginia Board of Treasury Investments pursuant to Chapter 12, Article 6C of the Code of West Virginia.

"Rebate Fund" means the Rebate Fund established in Section 4.01 hereof.

"Record Date" means the date or dates which shall be so stated in the Series 2018 Bonds, regardless of whether such day is a Saturday, Sunday or legal holiday.

"Redemption Date" means the date fixed for redemption of Bonds subject to redemption in any notice of redemption published or mailed in accordance herewith.

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

"Registrar" means the bank to be designated in the Supplemental Resolution as the Registrar for the Series 2018 Bonds, and any successor thereto appointed in accordance with Section 8.08 hereof.

"Regulations" means temporary and permanent regulations promulgated under the Code, and includes applicable regulations promulgated under the Internal Revenue Code of 1986 as amended.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund created by the Section 4.01 hereof.

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

"Rule 15c2-12" means Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended.

"Series 1995 B Bonds" means the Issuer's Sewer Revenue Bonds, Series 1995 B, dated June 27, 1995, issued in the original aggregate principal amount of $2,000,000 and held by the United States Department of Agriculture.

"Series 1995 B Bonds Ordinance" means collectively the ordinance and resolutions authorizing the Series 1995 B Bonds.

"Series 2018 Bonds Costs of Issuance Fund" means the Series 2018 Bonds Costs of Issuance Fund created by Section 4.01 hereof.

"Series 2018 Bonds Construction Fund" means the Series 2018 Bonds Construction Fund created by Section 4.01 hereof.

"Series 2018 A Bonds" means the Sewer Refunding Revenue Bonds, Series 2018 A, of the Issuer, originally authorized to be issued pursuant to this Ordinance and the Supplemental Resolution.

"Series 2018 A Bonds Redemption Account" means the Series 2018 A Bonds Redemption Account established in the Series 2018 A Bonds Sinking Fund pursuant to Section 4.02 hereof.

"Series 2018 A Bonds Reserve Account" means the Series 2018 A Bonds Reserve Account established in the Series 2018 A Bonds Sinking Fund pursuant to Section 4.02 hereof.

"Series 2018 A Bonds Reserve Account Requirement" means an amount equal to the lesser of (i) 10% of the original principal amount of the Series 2018 A Bonds, (ii) Maximum Annual Debt Service at the time of original issuance of the Series 2018 A Bonds, or (iii) 125% of average annual Debt Service at the time of original issuance of the Series 2018 A Bonds.

"Series 2018 A Bonds Sinking Fund" means the Series 2018 A Bonds Sinking Fund established by Section 4.02 hereof.

"Series 2018 B Bonds" means the Sewer Revenue Bonds, Series 2018 B (Bank Qualified), of the Issuer, originally authorized to be issued pursuant to this Ordinance and the Supplemental Resolution.

"Series 2018 B Bonds Redemption Account" means the Redemption Account created by Section 4.02 hereof.

"Series 2018 B Bonds Reserve Account" means the Series 2018 B Bonds Reserve Account created in the Series 2018 B Bonds Sinking Fund by Section 4.02 hereof.

"Series 2018 B Bonds Reserve Account Requirement" means an amount equal to the lesser of (i) 10% of the original principal amount of the Series 2018 B Bonds, (ii) Maximum Annual Debt Service at the time of original issuance of the Series 2018 B Bonds, or (iii) 125% of average annual Debt Service at the time of original issuance of the Series 2018 B Bonds.

"Series 2018 B Bonds Sinking Fund" means the Series 2018 B Bonds Sinking Fund created by Section 4.02 hereof.

"Sinking Funds" means, collectively, the respective Sinking Funds established for the Series 2018 Bonds.

"State" means the State of West Virginia.

"Supplemental Resolution" means any ordinance or resolution amendatory hereof or supplemental hereto and, when preceded by the article "the," refers specifically to the Supplemental Resolution or Resolutions to be adopted by the Issuer following enactment of this Ordinance, setting forth the final amounts, maturities, interest rates, redemption provisions, Original Purchaser, Bond Purchase Agreement, Bond Insurer provisions (if any) and other terms of the Series 2018 Bonds and authorizing the sale of the Series 2018 Bonds to the Original Purchaser; provided, that any provision intended to be

included in the Supplemental Resolution and not so included may be contained in any other Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Ordinance to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, including, without limitation, the funds and accounts established for the Series 2018 Bonds.

"System" means the complete existing sewerage system of the Issuer, as presently existing in its entirety or any integral part thereof and shall include the Project and shall include any additions, betterments and improvements thereto hereafter acquired or constructed for said sewage system from any sources whatsoever, both within and without the Issuer.

"Tax Certificate" means the Issuer's Tax Certificate dated as of the date of issuance of the Series 2018 Bonds, as the same may be amended or supplemented in accordance with the provisions thereof.

"Term Bonds" means Bonds subject to mandatory sinking fund redemption, as described by Section 3.06 hereof.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations and vice versa; and words importing the masculine gender shall include the feminine and neuter genders and vice versa.

Additional terms and phrases are defined in this Ordinance as they are used. Accounting terms not specifically defined herein shall be given meaning in accordance with generally accepted accounting principles.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Ordinance; and the term "hereafter" means after the date of enactment of this Ordinance.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Ordinance so numbered.

Section 1.02. Authority for this Ordinance. This Ordinance is enacted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.03. Findings. The Council hereby finds and determines as follows:

A. The Issuer is a municipal corporation and political subdivision of the State of West Virginia in Harrison County of said State.

B. The Issuer presently owns and operates a public sewer system. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer, and for the improvement of the water environment of the Issuer, that there be acquired and constructed certain extensions, additions, betterments and improvements to the sewer system of the Issuer, consisting of the Project, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. It is deemed necessary for the Issuer to issue its (i) Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified) and (ii) Sewer Revenue Bonds, Series 2018 B (Bank Qualified), in the aggregate principal amount of not more than $4,000,000 to (i) currently refund the Series 1995 B Bonds; (ii) permanently finance the costs of acquisition and construction of the Project; (iii) fund the Series 2018 A Bonds Reserve Account; (iv) fund the Series 2018 B Bonds Reserve Account; and (v) pay certain costs of issuance. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 2018 Bonds prior to and during acquisition or construction and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Series 2018 A Bonds Reserve Account or Series 2018 B Bonds Reserve Account; underwriter's discount, engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise; administrative expense; commitment fees; premiums for municipal bond insurance, reserve account insurance or reserve account surety bonds; letter of credit fees; discount; initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2018 Bonds and such other expenses as may be necessary or incidental to the financing herein authorized; the acquisition and construction of the Project and the placing of same in operation; and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2018 Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

D. The period of usefulness of the System after completion of the Project is not less than 20 years.

E. It is in the best interests of the Issuer that the Series 2018 Bonds be sold to the Original Purchaser pursuant to the terms and provisions of a bond purchase agreement to be entered into by and between the Issuer and the Original Purchaser (the "Bond Purchase Agreement"), as shall be approved by the Supplemental Resolution of the Issuer.

F. There are no outstanding obligations which will rank on a parity with the Series 2018 Bonds as to liens, pledge, source of and security for payment.

G. The Issuer intends to issue the Series 2018 Bonds and to pledge for payment thereof, the Net Revenues of the System, on a parity with each other.

H. The estimated revenues to be derived in each year after the date hereof from the operation of the System will be sufficient, to provide for the repair, maintenance and operation of the System, the payment of interest upon the Series 2018 Bonds and to create sinking funds, as hereinafter provided, to pay the principal on the Series 2018 Bonds as and when it becomes due and reasonable reserves therefor, to provide an adequate renewal and replacement fund, as hereinafter provided, and to make all other payments provided for in this Ordinance.

I. It is in the best interests of the Issuer, and the residents thereof, that the Issuer issue the Series 2018 Bonds, and secure the Series 2018 Bonds by a pledge and assignment of the Net Revenues derived from the operation of the System, the monies in the Series 2018 A Bonds Reserve Account, Series 2018 B Bonds Reserve Account, unexpended proceeds of the Series 2018 Bonds and as further set forth herein.

J. The Series 2018 Bonds and the Certificates of Authentication and Registration to be endorsed thereon are to be in substantially the forms set forth in EXHIBIT A-1 – FORM OF SERIES 2018 A BONDS AND EXHIBIT A-2 – FORM OF SERIES 2018 B BONDS attached hereto and incorporated herein by reference, with necessary and appropriate variations, omissions and insertions as permitted or required by this Ordinance or a Supplemental Resolution or as deemed necessary by the Registrar or the Issuer.

K. All things necessary to make the Series 2018 Bonds, when authenticated by the Registrar and issued as in this Ordinance provided, the valid, binding and legal special obligations of the Issuer according to the import thereof, and to validly pledge and assign those funds pledged hereby to the payment of the principal of and interest on the Series 2018 Bonds, will be timely done and duly performed.

L. The enactment of this Ordinance, the execution and issuance of the Series 2018 Bonds, subject to the terms thereof, will not result in any breach of, or constitute a default under, any instrument to which the Issuer is a party or by which it may be bound or affected.

M. Pursuant to the Act, the Issuer has heretofore established a Sanitary Board and the Sanitary Board has petitioned the Issuer to issue the Series 2018 Bonds for the purposes set forth herein.

N. The Issuer has complied with all requirements of West Virginia law relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Series 2018 Bonds, or will have so complied prior to issuance of any thereof.

Section 1.04. Ordinance Constitutes Contract. In consideration of the acceptance of the Series 2018 Bonds by those who shall own or hold the same from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the legal Holders of any and all of such Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bond, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

ARTICLE II

AUTHORIZATION OF REFUNDING AND ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Refunding. All Series 1995 B Bonds Outstanding as of the date of issuance of the Series 2018 A Bonds and all unpaid interest accrued thereon, if any, are hereby ordered to be refunded and paid in full and the pledge of Net Revenues in favor of the Registered Owners of the Series 1995 B Bonds imposed by the Series 1995 B Bonds Ordinance authorizing the issuance of the Series 1995 B Bonds, the monies in the funds and accounts created by the Series 1995 B Bonds Ordinances pledged to payment of the Series 1995 B Bonds, and any other funds pledged by the Series 1995 B Bonds Ordinance to payment of the Series 1995 B Bonds are hereby ordered terminated, discharged and released upon such payment to the Registered Owners of the Series 1995 B Bonds. Contemporaneously with the payment in full of the Series 1995 B Bonds, the amounts on deposit in the

sinking fund, and all other funds and accounts created and maintained on behalf of the Series 1995 B Bonds, shall be released from the lien created by the Series 1995 B Bonds Ordinance authorizing the issuance of the Series 1995 B Bonds.

Section 2.02. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of not more than $2,500,000. The proceeds of the Series 2018 B Bonds hereby authorized shall be applied as provided herein. The Series 2018 B Bonds are hereby authorized, to be issued in one or more series, in the aggregate principal amount of not more than $2,500,000.

ARTICLE III

THE SERIES 2018 BONDS

Section 3.01. Form and Payment of Bonds. No Series 2018 Bond shall be issued pursuant to this Ordinance except as provided in this Article III. Any Series 2018 Bonds issued pursuant to this Ordinance may be issued only as fully registered Series 2018 Bonds, in the denomination of $5,000 or any integral multiple thereof for any year of maturity. All Series 2018 Bonds shall be dated as of the date provided in a Supplemental Resolution applicable to such series. All Series 2018 Bonds shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Series 2018 Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Series 2018 Bonds shall be in default, Bonds issued in exchange for Series 2018 Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Series 2018 Bonds surrendered.

The principal of and the premium, if any, on the Series 2018 Bonds shall be payable in any coin or currency which, on the respective date of such payment, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender at the principal office of the Paying Agent. Interest on the Series 2018 Bonds shall be paid by check or draft made payable and mailed to the Holder thereof at his address as it appears in the Bond Register at the close of business on the Record Date, or, if requested, in the case of a Registered Owner of $1,000,000 or more of the Series 2018 Bonds, by wire transfer to a domestic bank account specified in writing at least 5 days prior to such interest payment date by such Registered Owner.

In the event any Series 2018 Bonds are redeemed in part, such bond shall be surrendered to and canceled by the Registrar, and the Issuer shall execute, and the Registrar shall authenticate and deliver to the Holder thereof, another Series 2018 Bond in the principal amount of said Series 2018 Bond then Outstanding.

Section 3.02. Execution of Bonds. The Series 2018 Bonds shall be executed in the name of the Issuer by the Mayor, by his manual or facsimile signature, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the City Clerk by his or her manual or facsimile signature; provided, that, all such signatures and the seal may be by facsimile. In case any one or more of the officers who shall have signed or sealed any of the Series 2018 Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may

nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 2018 Bonds shall be signed and sealed on behalf of the City by such person as at the actual time of the execution of such Bonds shall hold the proper office in the City, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.03. Authentication and Registration. No Series 2018 Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Ordinance unless and until the Certificates of Authentication and Registration on such Series 2018 Bond, substantially in the form set forth in EXHIBIT A-1 – FORM OF SERIES 2018 A BONDS AND EXHIBIT A-2 – FORM OF SERIES 2018 B BONDS attached hereto and incorporated herein by reference with respect to the Series 2018 Bonds, shall have been duly manually executed by the Registrar. Any such manually executed Certificate of Authentication and Registration upon any such Series 2018 Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Ordinance. The Certificate of Authentication and Registration on any Series 2018 Bond shall be deemed to have been executed by the Registrar if signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Series 2018 Bonds issued hereunder.

Section 3.04. Negotiability and Registration. Subject to the requirements for transfer set forth below, the Series 2018 Bonds shall be, and have all of the qualities and incidents of, negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder, in accepting any of said Bonds, shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Series 2018 Bonds remain Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Series 2018 Bonds. The Series 2018 Bonds shall be transferable only by transfer of registration upon the Bond Register by the registered owner thereof in person or by his attorney or legal representative duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or such duly authorized attorney or legal representative. Upon transfer of a Series 2018 Bond, there shall be issued at the option of the Holder or the transferee another Bond or Bonds of the aggregate principal amount equal to the unpaid amount of the transferred Bond and of the same series, interest rate and maturity of said transferred Bond.

Upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar and duly executed by the registered owner or his attorney or legal representative duly authorized in writing, Series 2018 Bonds may at the option of the Holder thereof be exchanged for an equal aggregate principal amount of Bonds of the same series, maturity and interest rate, in any authorized denominations.

In all cases in which the privilege of transferring or exchanging a Series 2018 Bond is exercised, Bonds shall be delivered in accordance with the provisions of this Ordinance. All Series 2018 Bonds surrendered in any such transfer or exchange shall forthwith be canceled by the Registrar. Transfers of Series 2018 Bonds, the initial exchange of Bonds and exchanges of Bonds in the event of partial redemption of fully registered Bonds shall be made by the Registrar without charge to the Holder

or the transferee thereof, except as provided below. For other exchanges of Series 2018 Bonds, the Registrar may impose a service charge. For every such transfer or exchange of Series 2018 Bonds, the Registrar may make a charge sufficient to reimburse its office for any tax or other governmental charge required to be paid with respect to such transfer or exchange, and such tax or governmental charge, and such service charge for exchange other than the initial exchange or in the event of partial redemption, shall be paid by the person requesting such transfer or exchange as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Registrar shall not be obliged to make any such transfer or exchange of Series 2018 Bonds that have been called for redemption.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2018 Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may execute, in its discretion, and the Registrar shall authenticate, register and deliver any new Bond of like series, maturity and principal amount as the Bond, so mutilated, destroyed, stolen or lost, in exchange and upon surrender and cancellation of, such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing the Issuer and the Registrar proof of his ownership thereof and that said Bond has been destroyed, stolen or lost and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer or the Registrar may incur. The name of the Bondholder listed in the Bond Register shall constitute proof of ownership. All Series 2018 Bonds so surrendered shall be submitted to and canceled by the Registrar, and evidence of such cancellation shall be given to the Issuer. If such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer, by and through the Registrar, may pay the same, upon being indemnified as aforesaid, and, if such Bond be lost, stolen or destroyed, without surrender therefor.

Any such duplicate Bonds issued pursuant to this section shall constitute original, additional contractual obligations on the part of the Issuer, whether or not the lost, stolen or destroyed Bonds be at any time found by any one, and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien and source of and security for payment from the Revenues pledged herein with all other Bonds issued hereunder.

Section 3.06. Term Bonds. In the event Term Bonds are issued as part of the Series 2018 Bonds pursuant to this Ordinance, the following provisions shall apply:

1. The amounts to be deposited, apportioned and set apart by the Issuer from the Revenue Fund and into the Series 2018 A Bonds Redemption Account and Series 2018 B Bonds Redemption Account in accordance with Subsection 4.03(A)(1) shall include (after credit as provided below) on the first of each month, beginning on the first day of that month which is 12 months prior to the first mandatory redemption date of said Term Bonds, a sum equal to 1/12th of the amount (or, if the Series 2018 Bonds mature semiannually rather than annually, that month which is 6 months prior to the first mandatory redemption date of said Term Bonds, a sum equal to 1/6th of the amount) required to redeem the principal amount of such Term Bonds which are to be redeemed as of the next ensuing mandatory Redemption Date, which amounts and dates, if any, with respect to a series of Bonds shall be set forth in the Supplemental Resolution relating thereto.

2. At its option, to be exercised on or before the 60th day next preceding any such mandatory Redemption Date, the Issuer may (a) deliver to the Registrar for cancellation such Term Bonds in any aggregate principal amount desired or (b) receive a credit in respect of its mandatory redemption obligation for any such Term Bonds which prior to said date have been redeemed (otherwise than

pursuant to this section) and canceled by the Registrar and not theretofore applied as a credit against any such mandatory redemption obligation. Each Term Bond so delivered or previously redeemed shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and Term Bonds delivered in excess of such mandatory redemption obligation shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

3. The Issuer shall on or before the 60th day next preceding each mandatory Redemption Date furnish the Registrar and the Bond Commission with its certificate indicating whether and to what extent the provisions of (a) and (b) of the preceding paragraph are to be utilized with respect to such mandatory redemption payment and stating, in the case of the credit provided for in (b) of the preceding paragraph, that such credit has not theretofore been applied against any mandatory redemption obligation.

4. After said 60th day but prior to the date on which the Registrar selects the Term Bonds to be redeemed, the Bond Commission may use the monies in the Series 2018 A Bonds Redemption Account and Series 2018 B Bonds Redemption Account to purchase Term Bonds at a price less than the par value thereof and accrued interest thereon. The Bond Commission shall advise the Issuer and the Registrar of any Term Bonds so purchased, and they shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and any excess shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

5. A. The Registrar shall call for redemption, in the manner provided herein, an aggregate principal amount of such Term Bonds, at the principal amount thereof plus interest accrued to the Redemption Date (interest to be paid from the Series 2018 A Bonds Sinking Fund), as will exhaust as nearly as practicable such Series 2018 A Bonds Redemption Account payment designated to be made in accordance with paragraph (A)(1) of this section. Such redemption shall be by random selection made on the 45th day preceding the mandatory Redemption Date, in such manner as may be determined by the Registrar. For purposes of this section, "Term Bonds" shall include any portion of a fully registered Term Bond, in integrals of $5,000.

B. The Registrar shall call for redemption, in the manner provided herein, an aggregate principal amount of such Term Bonds, at the principal amount thereof plus interest accrued to the Redemption Date (interest to be paid from the Series 2018 B Bonds Sinking Fund), as will exhaust as nearly as practicable such Series 2018 B Bonds Redemption Account payment designated to be made in accordance with paragraph (A)(1) of this section. Such redemption shall be by random selection made on the 45th day preceding the mandatory Redemption Date, in such manner as may be determined by the Registrar. For purposes of this section, "Term Bonds" shall include any portion of a fully registered Term Bond, in integrals of $5,000.

Section 3.07. Notice of Redemption. Unless waived by any Holder of the Series 2018 Bonds to be redeemed, official notice of any redemption shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the applicable Bond Insurer, if any, the Original Purchaser, and the registered owner of the Series 2018 Bond or Bonds to be redeemed at the

address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

So long as DTC (as CEDE & CO.) is the registered Owner of the Series 2018 Bonds, the Registrar shall send all notices of redemption to DTC and shall verify that DTC has received notice.

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

(1) The Redemption Date,

(2) The Redemption Price,

(3) If less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,

(4) That on the Redemption Date the Redemption Price and interest accrued will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date,

(5) The place where such Bonds are to be surrendered for payment of the Redemption Price, which place of payment shall be the principal office of the Registrar, and

(6) Such other information, if any, as shall be required for DTC-Eligible Bonds.

If funds sufficient to redeem all Series 2018 Bonds called for optional redemption have not been deposited with the Paying Agent at the time of mailing any notice of optional redemption, such notice shall also state that such optional redemption is subject to the deposit of such monies with the Paying Agent on or before the Redemption Date. If such monies are not so deposited, the Registrar shall notify all holders of Series 2018 Bonds called for redemption of such fact.

Official notice of redemption having been given as aforesaid, the Series 2018 Bonds, or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Series 2018 Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the Redemption Price. Installments of interest due on or prior to the Redemption Date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of the same maturity in the amount of the unpaid principal of such Bond. All Series 2018 Bonds which have been redeemed shall be canceled and destroyed by the Bond Registrar and shall not be reissued.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of Series 2018 Bonds, and failure to mail such notice shall not affect the validity of proceedings for the redemption of any portion of Bonds for which there was no such failure.

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

Section 3.09. Temporary Bonds. Until Bonds of any series in definitive form are ready for delivery, the Issuer may execute and the Registrar shall authenticate, register, if applicable, and deliver, subject to the same provisions, limitations and conditions set forth in this Article III, one or more printed, lithographed or typewritten Bonds in temporary form, substantially in the form of the definitive Bonds of such series, with appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the lien and benefit created under this Ordinance. Upon the presentation and surrender of any Bond or Bonds in temporary form, the Issuer shall, without unreasonable delay, prepare, execute and deliver to the Registrar, and the Registrar shall authenticate, register, if applicable, and deliver, in exchange therefor, a Bond or Bonds in definitive form. Such exchange shall be made by the Registrar without making any charge therefor to the Holder of such Bond in temporary form.

Section 3.10. Series 2018 Bonds. A. For the purposes of paying in full the entire outstanding principal of and all accrued interest on the Series 1995 B Bonds (along with other funds of the Issuer available therefor), paying the premium for a Municipal Bond Insurance Policy for the Series 2018 A Bonds, if determined to be financially advantageous to the Issuer, funding the Series 2018 A Bonds Reserve Account (or paying the premium for a Municipal Bond Debt Service Reserve Insurance Policy, if determined to be financially advantageous to the Issuer) and paying costs of issuance of the Series 2018 A Bonds and related costs, there shall be issued the Series 2018 A Bonds of the Issuer, in one or more series, in an aggregate principal amount of not more than $1,500,000 The Series 2018 A Bonds shall be designated the "City of Salem (West Virginia) Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified)" and shall be issued in fully registered form, in denominations of $5,000 or any integral multiple thereof for any year of maturity (or such other denominations as may be set forth in the Supplemental Resolution), not exceeding the aggregate principal amount of Series 2018 A Bonds maturing in the year of maturity for which the denomination is to be specified. The Series 2018 A Bonds shall be numbered from AR-1 consecutively upward. The Series 2018 A Bonds shall be dated; shall be in such aggregate principal amount; shall bear interest at such rate or rates, not exceeding the then legally permissible rate, payable semiannually on such dates; shall mature on such dates and in such amounts; shall be subject to such mandatory and optional redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein and in the Supplemental Resolution.

B. For the purposes of paying the costs of acquisition and construction of the Project, paying capitalized interest, if any, funding the Series 2018 B Bonds Reserve Account and paying costs in connection therewith, there shall be issued the Series 2018 B Bonds of the Issuer, in one or more series, in an aggregate principal amount of not more than $2,500,000. Said Series 2018 B Bonds shall be designated "Sewer Revenue Bonds, Series 2018 B (Bank Qualified)" or such other designation as may be appropriate for the year and sequence of the issue, as may be set forth in a Supplemental Resolution, and shall be issued in fully registered form, in the denomination of $5,000 or any integral multiple thereof for any period of maturity, not exceeding the aggregate principal amount of Series 2018 B Bonds maturing in the period of maturity for which the denomination is to be specified. The Series 2018 B Bonds shall be numbered from BR-1 consecutively upward. The Series 2018 B Bonds shall be dated; shall be in such aggregate principal amount (not to exceed $2,500,000); shall bear interest at such rate or rates, not

exceeding the then legally permissible rate (not to exceed 6.0%), payable semiannually on such dates; shall mature on such dates (which may be annual or semi-annual) (not to exceed 30 years) and in such amounts; shall be subject to such mandatory and optional redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein and in the Supplemental Resolution.

Section 3.11. Book Entry System for Series 2018 Bonds. A. The Series 2018 Bonds shall each initially be issued in the form of one fully-registered bond for the aggregate principal amount of the Series 2018 Bonds of each maturity, registered in the name of CEDE & CO., as nominee of DTC. Except as provided in Paragraph E below, all of the Series 2018 Bonds shall be registered in the registration books kept by the Registrar in the name of CEDE & CO., as nominee of DTC; provided, that if DTC shall request that the Series 2018 Bonds be registered in the name of a different nominee, the Registrar shall exchange all or any portion of the Series 2018 Bonds registered in the name of such nominee or nominees. No person other than DTC or its nominee shall be entitled to receive from the Issuer or the Registrar either a Series 2018 Bond or any other evidence of ownership of the Series 2018 Bonds, or any right to receive any payment in respect thereof unless DTC or its nominee shall transfer record ownership of all or any portion of the Series 2018 Bonds on the registration books maintained by the Registrar, in connection with discontinuing the book entry system as provided in Paragraph E below.

B. Prior to authorizing the publication of an Official Statement for the Series 2018 Bonds, the Issuer shall execute or signify its approval of a representation letter addressed to DTC in a form satisfactory to DTC (the "Representation Letter").

C. So long as the Series 2018 Bonds or any portion thereof are registered in the name of DTC or any nominee thereof, all payments of the principal or Redemption Price of or interest on such Series 2018 Bonds shall be made to DTC or its nominee at the addresses set forth in the Representation Letter in New York Clearing House or equivalent next day funds on the dates provided for such payments to be made to any Bondholder under this Ordinance. Each such payment to DTC or its nominee shall be valid and effective to fully discharge all liability of the Issuer and the Registrar with respect to the principal or Redemption Price of or interest on the Series 2018 Bonds to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Series 2018 Bonds Outstanding of any maturity, the Registrar shall not require surrender by DTC of the Series 2018 Bonds so redeemed, but DTC may retain such Series 2018 Bonds and make an appropriate notation on the Series 2018 Bonds certificate as to the amount of such partial redemption; provided, that DTC shall deliver to the Registrar, upon request, a written confirmation of such partial redemption. The records maintained by the Registrar shall be conclusive as to the amount of the Series 2018 Bonds of such maturity which have been redeemed.

D. The Issuer, the Paying Agent and the Registrar may treat DTC as the sole and exclusive owner of the Series 2018 Bonds registered in its name or the name of its nominee for the purposes of payment of the principal or Redemption Price of or interest on the Series 2018 Bonds, selecting the Series 2018 Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Ordinance, registering the transfer of Series 2018 Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever; and neither the Issuer nor the Registrar shall be affected by any notice to the contrary. Neither the Issuer nor the Registrar shall have any responsibility or obligation to any direct or indirect participant in DTC, any person claiming a beneficial ownership interest in the Series 2018 Bonds under or through DTC or any such participant, or any other person which is not shown on the registration books of the Registrar as being a Bondholder with respect to (i) the Series 2018 Bonds, (ii) the accuracy of any records maintained

by DTC or any such participant, (iii) the payment by DTC or any such participant of any amount in respect of the principal or Redemption Price of or interest on the Series 2018 Bonds, (iv) any notice which is permitted or required to be given to Bondholders under this Ordinance, (v) the selection by DTC or any such participant of any person to receive payment in the event of a partial redemption of the Series 2018 Bonds, or (vi) any consent given or other action taken by DTC as Bondholder.

E. The book entry system for registration of the ownership of the Series 2018 Bonds may be discontinued at any time if either: (i) DTC determines to resign as securities depository for the Series 2018 Bonds; or (ii) the Issuer determines that continuation of the system of book entry transfers through DTC (or through a successor securities depository) is not in the best interest of the beneficial owners of the Series 2018 Bonds. In either of such events (unless in the case described in clause (iii) above, the Issuer appoints a successor securities depository), the Series 2018 Bonds shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Issuer or the Registrar for the accuracy of such designation. Whenever DTC requests the Issuer and the Registrar to do so, the Issuer and the Registrar shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Series 2018 Bonds.

Section 3.12. Delivery of Series 2018 Bonds. The Issuer shall execute and deliver the Series 2018 Bonds to the Registrar, and the Registrar shall authenticate, register and deliver the Series 2018 Bonds to the Original Purchaser upon receipt of the documents set forth below:

(1) If not registered in the name of DTC or its nominee, a list of the names in which the Series 2018 Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Registrar may reasonably require;

(2) A request and authorization to the Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2018 Bonds to DTC for the benefit of the Original Purchaser;

(3) Copies, certified by the City Clerk, of this Ordinance and the Supplemental Resolution;

(4) The unqualified approving opinions upon the Series 2018 Bonds by Bond Counsel; and

(5) Such other opinions, certificates and documents as shall be reasonably requested by the Original Purchaser.

Section 3.13. Forms of Series 2018 Bonds. The definitive Series 2018 Bonds shall be in substantially the forms set forth in EXHIBIT A-1 – FORM OF SERIES 2018 A BONDS AND EXHIBIT A-2 FORM OF SERIES 2018 B BONDS attached hereto and incorporated herein by reference, with such necessary and appropriate omissions, insertions and variations as are approved by those officers executing such Series 2018 Bonds on behalf of the Issuer and execution thereof by such officers shall constitute conclusive evidence of such approval, and the definitive Series 2018 Bonds shall have the form of the opinion of Steptoe & Johnson PLLC, as Bond Counsel, attached thereto or printed on the reverse thereof.

Section 3.14. Disposition of Proceeds of Series 2018 Bonds. Upon the issuance and delivery of the Series 2018 Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

1. All interest accrued, if any, on the Series 2018 A Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2018 A Bonds Sinking Fund and applied to payment of interest on the Series 2018 A Bonds at the first interest payment date.

2. All interest accrued, if any, on the Series 2018 B Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2018 B Bonds Sinking Fund and applied to payment of interest on the Series 2018 B Bonds at the first interest payment date.

3. An amount of the proceeds of the Series 2018 A Bonds equal to the amount, if any, set forth in the Supplemental Resolution or related Certificate of Determinations shall be remitted to the Bond Commission for deposit in the Series 2018 A Bonds Reserve Account; provided, that to the extent the Series 2018 A Bonds Reserve Requirement is satisfied in whole or in part from a reserve account letter of credit, surety bond or other credit facility, proceeds of the Series 2018 A Bonds shall be deposited in the Series 2018 A Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2018 A Bonds Reserve Requirement.

4. An amount of the proceeds of the Series 2018 B Bonds equal to the amount, if any, set forth in the Supplemental Resolution or related Certificate of Determinations shall be remitted to the Bond Commission for deposit in the Series 2018 B Bonds Reserve Account; provided, that to the extent the Series 2018 B Bonds Reserve Requirement is satisfied in whole or in part from a reserve account letter of credit, surety bond or other credit facility, proceeds of the Series 2018 B Bonds shall be deposited in the Series 2018 B Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2018 B Bonds Reserve Requirement.

5. An amount of the proceeds of the Series 2018 A Bonds equal to the amount set forth in the Supplemental Resolution or related Certificate of Determinations, shall be remitted to the National Finance Office to pay the Series 1995 B Bonds.

6. The amount of Series 2018 A Bond and Series 2018 B Bond proceeds which, together with other monies or securities deposited therein shall be equal to the Costs of Issuance of the Series 2018 Bonds shall be deposited with the Depository Bank in the Series 2018 Bonds Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the Series 2018 Bonds at the written direction of the Issuer. Monies not to be applied immediately to pay such costs of issuance may be invested in accordance with this Ordinance, subject however, to applicable yield restrictions as may be in effect under the Code. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 120 days following the Closing Date for the Series 2018 Bonds, such unapplied proceeds shall be transferred by the Issuer to the Series 2018 Bonds Sinking Fund established in Section 4.01 hereof and applied to the next ensuing payment of interest on the Series 2018 Bonds. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such monies until so applied in favor of the Holders of the Series 2018 Bonds from which such proceeds are derived.

7. The balance of Series 2018 B Bonds proceeds, if any, shall be deposited in the Series 2018 Bonds Construction Fund and disbursed as provided in Section 3.15 hereof.

Section 3.15. Disbursements from the Series 2018 Bonds Construction Fund. Disbursements from the Series 2018 Bonds Construction Fund, except for payment of Costs of Issuance of the Series 2018 Bonds in excess of the monies available in the Costs of Issuance Fund which shall be made upon request of the Issuer, shall be made only for acquisition and construction of the Project, including all necessary engineering and other professional services relating thereto. Pending such application, monies in the Series 2018 Bonds Construction Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE IV

SYSTEM REVENUES; FUNDS AND ACCOUNTS

Section 4.01. Establishment of Funds and Accounts with Depository Bank. Pursuant to this Article IV, the following special funds are created with, and shall be held by, the Depository Bank, segregated from all other funds and accounts of the Depository Bank or the Issuer and from each other (except as set forth in this Section 4.01), and used solely for the purposes provided herein:

(1) Revenue Fund;

(2) Renewal and Replacement Fund;

(3) Series 2018 Costs of Issuance Fund;

(4) Rebate Fund; and

(5) Series 2018 Bonds Construction Fund.

Section 4.02. Establishment of Funds and Accounts with Bond Commission. The following special funds or accounts are hereby created with and shall be held by the Commission, separate and apart from all other funds or accounts of the Commission or the Issuer and from each other:

(1) Series 2018 A Bonds Sinking Fund;

(2) Series 2018 A Bonds Reserve Account;

(3) Series 2018 A Bonds Redemption Account;

(4) Series 2018 B Bonds Sinking Fund;

(5) Series 2018 B Bonds Redemption Account; and

(6) Series 2018 B Bonds Reserve Account.

Section 4.03. System Revenues and Application Thereof. So long as any of the Series 2018 Bonds shall be Outstanding and unpaid, the Issuer covenants as follows:

A. The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited by the Issuer in the Revenue Fund. The Revenue Fund shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. All Revenues at any time remaining on deposit in the Revenue Fund shall be disposed of only in the following manner and order of priority:

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

(2) The Issuer shall next, each month on or before the due date, transfer from the Revenue Fund and simultaneously remit to the Commission (i) beginning on the first day of that month which is 6 months prior to the first interest payment date on the Series 2018 A Bonds, apportion and set apart out of the Revenue Fund and deposit in the Series 2018 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 2018 A Bonds on the next ensuing semiannual interest payment date; provided, that in the event the period to elapse between the date of such initial deposit in the Series 2018 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date, and provided further, that the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2018 A Bonds Sinking Fund shall be reduced by the amount of accrued interest, if any, on the Series 2018 A Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2018 A Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2018 A Bonds Sinking Fund; and (ii) beginning on the first day of that month which is 6 months prior to the first interest payment date on the Series 2018 B Bonds, apportion and set apart out of the Revenue Fund and deposit in the Series 2018 B Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 2018 B Bonds on the next ensuing semiannual interest payment date; provided, that in the event the period to elapse between the date of such initial deposit in the Series 2018 B Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date, and provided further, that the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2018 B Bonds Sinking Fund shall be reduced by the amount of accrued interest, if any, on the Series 2018 B Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2018 B Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2018 B Bonds Sinking Fund.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) for deposit in the Series 2018 A Bonds Sinking Fund (and in the Series 2018 A Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed) on the first day of each month, beginning on the first day of that month which is 12 months prior to the first principal payment or mandatory Redemption Date of the Series 2018 A Bonds, a sum equal to 1/12th of the amount (or 1/6th of the amount if the Series 2018 A Bonds mature semiannually rather than annually) of principal which will mature or be redeemed and become due on the Series 2018 A Bonds on the next ensuing principal payment or mandatory Redemption Date; provided, that in the event the period to elapse between the date of such initial deposit in the Series 2018 A Bonds Sinking Fund and the next ensuing principal payment or mandatory Redemption Date is less than or greater than 12 months (or 6 months if the Series 2018 A Bonds mature semiannually rather than

annually), then such monthly payments shall be increased or decreased proportionately to provide, one month prior to the next ensuing principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2018 A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph; and (ii) for deposit in the Series 2018 B Bonds Sinking Fund (and in the Series 2018 B Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed) on the first day of each month, beginning on the first day of that month which is 12 months prior to the first principal payment or mandatory Redemption Date of the Series 2018 B Bonds, a sum equal to 1/12th of the amount (or 1/6th of the amount if the Series 2018 B Bonds mature semiannually rather than annually) of principal which will mature or be redeemed and become due on the Series 2018 B Bonds on the next ensuing principal payment or mandatory Redemption Date; provided, that in the event the period to elapse between the date of such initial deposit in the Series 2018 B Bonds Sinking Fund and the next ensuing principal payment or mandatory Redemption Date is less than or greater than 12 months (or 6 months if the Series 2018 B Bonds mature semiannually rather than annually), then such monthly payments shall be increased or decreased proportionately to provide, one month prior to the next ensuing principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2018 B Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) commencing 13 months prior to the first date of payment of principal of the Series 2018 A Bonds, if not fully funded upon issuance of the Series 2018 A Bonds, for deposit in the Series 2018 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2018 A Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 2018 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2018 A Bonds Reserve Requirement; provided further, that if the amounts in the Series 2018 A Bonds Reserve Account, as a result of a decrease in value of the Series 2018 A Bonds Reserve Account below the Series 2018 A Bonds Reserve Account Requirement or any withdrawal from the Series 2018 A Bonds Reserve Account, the Issuer shall apply such monies for deposit into the Series 2018 A Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 2018 A Bonds Reserve Account results in a determination that the amount of monies and the value of the Qualified Investments deposited to the credit of the Series 2018 A Bonds Reserve Account is less than the Series 2018 A Bonds Reserve Account Requirement, or (b) any amount is withdrawn from the Series 2018 A Bonds Reserve Account for deposit into the Series 2018 A Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of monies on deposit in the Series 2018 A Bonds Reserve Account to an amount equal to the Series 2018 A Bonds Reserve Account Requirement to the full extent that such Net Revenues are available; provided, however, that if the shortfall in the Series 2018 A Bonds Reserve Account is due to a decrease in the value of investments therein, such shortfall shall be replenished by not less than 4 equal monthly payments, and if such shortfall is due to a withdrawal from the Series 2018 A Bonds Reserve Account, such shortfall shall be replenished by not less than 12 equal monthly payments, and provided further, that no payments shall be required to be made into the Series 2018 A Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2018 A Reserve Account Requirement; and (ii) commencing 13 months prior to the first date of payment of principal of the Series 2018 B Bonds, if not fully funded upon issuance of the Series 2018 B Bonds, for deposit in the Series 2018 B Bonds Reserve Account, an amount equal to 1/120th of the Series 2018 B

Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 2018 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2018 B Bonds Reserve Requirement; provided further, that if the amounts in the Series 2018 B Bonds Reserve Account, as a result of a decrease in value of the Series 2018 B Bonds Reserve Account below the Series 2018 B Bonds Reserve Account Requirement or any withdrawal from the Series 2018 B Bonds Reserve Account, the Issuer shall apply such monies for deposit into the Series 2018 B Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 2018 B Bonds Reserve Account results in a determination that the amount of monies and the value of the Qualified Investments deposited to the credit of the Series 2018 B Bonds Reserve Account is less than the Series 2018 B Bonds Reserve Account Requirement, or (b) any amount is withdrawn from the Series 2018 B Bonds Reserve Account for deposit into the Series 2018 B Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of monies on deposit in the Series 2018 B Bonds Reserve Account to an amount equal to the Series 2018 B Bonds Reserve Account Requirement to the full extent that such Net Revenues are available; provided, however, that if the shortfall in the Series 2018 B Bonds Reserve Account is due to a decrease in the value of investments therein, such shortfall shall be replenished by not less than 4 equal monthly payments, and if such shortfall is due to a withdrawal from the Series 2018 B Bonds Reserve Account, such shortfall shall be replenished by not less than 12 equal monthly payments, and provided further, that no payments shall be required to be made into the Series 2018 B Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2018 B Reserve Account Requirement.

Amounts in the Series 2018 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2018 A Bonds when due, when amounts in the Series 2018 A Bonds Sinking Fund are insufficient therefor and for no other purpose.

Amounts in the Series 2018 B Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2018 B Bonds when due, when amounts in the Series 2018 B Bonds Sinking Fund are insufficient therefor and for no other purpose.

(5) The Issuer shall next, on the first day of each month, transfer from the monies remaining in the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, a sum equal to 2.5% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, or improvements or extensions to the System; provided, that any deficiency in any Reserve Account, except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of deficiency, funded such account to the maximum extent required hereof, shall promptly be eliminated with monies from the Renewal and Replacement Fund.

(6) Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove provided, are current and there remains in the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by the Act, such excess shall be

considered as surplus revenues (the "Surplus Revenues"). Surplus Revenues may be used for any lawful purpose of the System.

B. The Bond Commission is hereby designated as the fiscal agent for the administration of the Series 2018 A Bonds Sinking Fund and Series 2018 B Bonds Sinking Fund created hereunder, and all amounts required for said Sinking Funds shall be remitted to the Bond Commission from said Revenue Fund and from the proceeds of the sale of the Series 2018 Bonds, by the Issuer at the times and as otherwise provided herein. All remittances made by the Issuer to the Bond Commission shall clearly identify the fund or account into which each amount is to be deposited.

C. The monies on deposit in the Revenue Fund and the Renewal and Replacement Fund in excess of the sum insured by the FDIC shall at all times be secured, to the full extent thereof in excess of such insured sum, by Government Obligations or by other Qualified Investments as shall be eligible as security for deposits of municipal funds under the laws of the State.

ARTICLE V

INVESTMENTS; NON-ARBITRAGE; REBATES AND CONTINUING DISCLOSURE

Section 5.01. Investments. The Issuer shall invest and reinvest, and shall instruct the Bond Commission and the Depository Bank to invest and reinvest, any monies held as a part of the funds and accounts created by this Ordinance in Qualified Investments to the fullest extent possible under applicable laws, this Ordinance, the need for such monies for the purposes set forth herein and the specific restrictions and provisions set forth in this section.

Except as provided below, any investment shall be held in and at all times deemed a part of the fund or account in which such monies were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The Issuer shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Issuer may make any and all investments permitted by this section through the bond department of the Depository Bank. The Depository Bank shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The following specific provisions shall apply with respect to any investments made under this section (unless otherwise required by the Bond Insurer, if any, and as set forth in the Supplemental Resolution):

(A) Qualified Investments acquired for the Series 2018 A Bonds Reserve Account and Series 2018 B Bonds Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 5 years from the date of such investment.

(B) The Issuer shall, or shall cause the Bond Commission to, annually transfer from the Series 2018 A Bonds Reserve Account to the Series 2018 A Bonds Sinking Fund any earnings on the monies deposited therein and any other funds in excess of the Series 2018 A Bonds Reserve Requirement,

provided, however, that there shall at all times remain on deposit in the Series 2018 A Bonds Reserve Account an amount at least equal to the Series 2018 A Bonds Reserve Requirement.

The Issuer shall, or shall cause the Bond Commission to, annually transfer from the Series 2018 B Bonds Reserve Account to the Series 2018 B Bonds Sinking Fund any earnings on the monies deposited therein and any other funds in excess of the Series 2018 B Bonds Reserve Requirement, provided, however, that there shall at all times remain on deposit in the Series 2018 B Bonds Reserve Account an amount at least equal to the Series 2018 B Bonds Reserve Requirement.

(C) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the Series 2018 A Bonds Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2018 A Bonds Reserve Account shall, at any time, be less than the applicable Series 2018 A Bonds Reserve Requirement, the applicable Bond Insurer, if any, shall be notified immediately of such deficiency, and such deficiency shall be made up from the first available Net Revenues after required deposits to the Sinking Fund and otherwise in accordance with Section 4.03.

In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the Series 2018 B Bonds Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2018 B Bonds Reserve Account shall, at any time, be less than the applicable Series 2018 B Bonds Reserve Requirement, the applicable Bond Insurer, if any, shall be notified immediately of such deficiency, and such deficiency shall be made up from the first available Net Revenues after required deposits to the Sinking Fund and otherwise in accordance with Section 4.03.

(D) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the Series 2018 Bonds, as appropriate, and invested only in Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(E) Notwithstanding the foregoing, all monies deposited in the Series 2018 A Bonds Sinking Fund and Series 2018 B Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia Board of Treasury Investments pursuant to Chapter 12, Article 6C of the Code of West Virginia, 1931, as amended.

Section 5.02. Continuing Disclosure Agreement. The Issuer shall deliver a continuing disclosure agreement or certificate in form acceptable to the Original Purchaser, the form of which shall be approved by the Supplemental Resolution, sufficient to ensure compliance with Rule 15c2-12, as it may be amended from time to time, and the Issuer hereby instructs the Mayor and City Clerk to take all actions necessary for the Issuer to comply with the continuing disclosure agreement.

Section 5.03. Arbitrage and Tax Exemption. The Issuer covenants that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Series 2018 Bonds which would cause the Series 2018 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Series 2018 Bonds)

so that the interest on the Series 2018 Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 5.04. Tax Certificate, Rebates, and Rebate Fund. The Issuer shall deliver a tax certificate or other similar certificate to be prepared by Bond Counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of any series of Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 2018 Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Ordinance.

Unless exempted therefrom, the Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. Upon completion of each such annual calculation, the Issuer shall deposit, or cause to be deposited, in the Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the Rebate Fund to equal the sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge hereunder and used only for payment of rebatable arbitrage to the United States. The Issuer shall pay, or cause to be paid, to the United States, from the Rebate Fund, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be in time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefore. The Issuer at its expense, may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer may deem appropriate in order to assure compliance with this Section 5.04. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 5.04 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and other amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes.

ARTICLE VI

ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01. Covenants Binding and Irrevocable. All the covenants, agreements and provisions of this Ordinance shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2018 Bonds, as prescribed by Article VII. In addition to the other covenants, agreements and provisions of this Ordinance, the Issuer hereby covenants and agrees with the Holders of the Series 2018 Bonds, as

hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2018 Bonds or the interest thereon, are Outstanding and unpaid.

Section 6.02. Bonds not to be Indebtedness of the Issuer. A. The Series 2018 A Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness but shall be payable solely from the Net Revenues of the System, the monies in the Series 2018 A Bonds Sinking Fund and all accounts therein, the unexpended proceeds of the Series 2018 A Bonds or money in the Series 2018 Bonds Construction Fund, if any, all as herein provided. No Holder or Holders of any Series 2018 A Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Series 2018 A Bonds or the interest thereon.

B. The Series 2018 B Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness but shall be payable solely from the Net Revenues of the System, the monies in the Series 2018 B Bonds Sinking Fund and all accounts therein, the unexpended proceeds of the Series 2018 B Bonds or money in the Series 2018 Bonds Construction Fund, if any, all as herein provided. No Holder or Holders of any Series 2018 B Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Series 2018 B Bonds or the interest thereon.

Section 6.03. Bonds Secured by Pledge of Net Revenues and Monies in Sinking Fund. The payment of the debt service of all of the Series 2018 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 Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Series 2018 A Bonds herein authorized, to make the payments into the Series 2018 A Bonds Sinking Fund, all monies and securities in the Series 2018 A Bonds Sinking Fund and the Series 2018 A Bonds Reserve Account, are hereby irrevocably pledged in the manner provided in this Ordinance to the payment of the principal of and interest on the Series 2018 A Bonds herein authorized as the same become due and for the other purposes provided in this Ordinance.

The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Series 2018 B Bonds herein authorized, to make the payments into the Series 2018 B Bonds Sinking Fund, all monies and securities in the Series 2018 B Bonds Sinking Fund and the Series 2018 B Bonds Reserve Account, are hereby irrevocably pledged in the manner provided in this Ordinance to the payment of the principal of and interest on the Series 2018 B Bonds herein authorized as the same become due and for the other purposes provided in this Ordinance.

Section 6.04. Rates. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal and the Issuer shall supply an opinion of counsel to such effect. Such rates and charges shall be sufficient to comply with the requirements of the Bond Purchase Agreement and the Issuer shall supply a certificate of Certified Public Accountant to such effect. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in the sewer rate ordinance of the Issuer enacted April 4, 2011, which rates are incorporated herein by reference as a part hereof.

So long as the Series 2018 Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Ordinance and in compliance with this Ordinance. In the event the schedule of rates and charges initially established for the System in connection with the Series 2018 Bonds shall prove to be insufficient to produce the required sums set forth in this Ordinance, the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Ordinance.

Prior to the issuance of the Series 2018 Bonds, rates or charges for the use of the services and facilities of the System will be fixed and established, all in the manner and form required by law, and a copy of such rates and charges so fixed and established shall at all times be kept on file in the office of the City Clerk of the Issuer, which copy will be open to inspection by all interested parties. The schedule or schedules of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds and accounts created hereunder. Such schedule or schedules of rates and charges shall be revised from time to time, whenever necessary, so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that rates or charges from time to time in effect shall be sufficient, together with other revenues of the System, to provide a rate coverage sufficient, together with other revenues of the System, to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2018 Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with, or subordinate to, the Series 2018 Bonds.

The Issuer hereby covenants to commence enactment of such ordinance or ordinances as shall be required to increase the rates and charges for the services and facilities of the System within 90 days following a determination of the Independent Certified Public Accountant that less than the above-required coverage exists or in the event that the annual audit report shows less than the above-required coverage, such increase to provide rates and charges sufficient to produce such required coverage. The Issuer shall require that each annual audit contain a statement of the auditor that the Issuer is in or is not in compliance with the rate covenant in this Section 6.04.

Section 6.05. Completion of Project; Operation and Maintenance. The Issuer will complete the Project as promptly as possible. The Issuer will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of said System in the manner provided in this Ordinance.

The Issuer will obtain all permits required by state and federal laws for the acquisition and construction of the Project and the operation of the System.

Section 6.06. Sale of the System. So long as the Series 2018 Bonds are Outstanding, the System may be sold, mortgaged, leased or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to defease the pledge created by this Ordinance as provided by Section 9.01. The proceeds from such sale, mortgage, lease or other disposition

of the System shall be immediately remitted to the Bond Commission for deposit in the Series 2018 Bonds Sinking Fund, and otherwise as prescribed by Section 9.01. Any balance remaining after such defeasance shall be remitted to the Issuer by the Bond Commission unless necessary for the payment of other obligations of the Issuer payable out of the Net Revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor is not in excess of $500,000, the Issuer may provide for the sale of such property. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of $500,000 but not in excess of $1,000,000 the Issuer shall first, in writing, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Issuer may then, if it be so advised, by resolution duly adopted, approve and concur in such finding and authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds derived from any such sale, lease or other disposition of such property not in excess of $1,000,000, shall be deposited by the Issuer into the Renewal and Replacement Fund.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom shall be in excess of $1,000,000 and insufficient to defease the pledge created by this Ordinance, as provided by Section 9.01, without the prior approval and consent in writing of any applicable Bond Insurer, if any, and the Holders, or their duly authorized representatives, of 51% in amount of Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the Bond Insurer, if any, and the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 6.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. The Issuer shall not issue any other obligations whatsoever, except Additional Parity Bonds provided for in Section 6.08 hereof, payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from the Net Revenues with the Series 2018 Bonds; and all obligations hereafter issued by the Issuer payable from the revenues of the System, except such Additional Parity Bonds, shall contain an express statement that such obligations are junior and subordinate as to lien on and source of and security for payment from such revenues and in all other respects to the Series 2018 Bonds.

The Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or, except with respect to such Additional Parity Bonds, being on a parity with the lien of the Series 2018 Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Series 2018 Bonds and the interest thereon in this Ordinance or upon the System or any part thereof.

Section 6.08. Additional Parity Bonds. No such additional Parity Bonds shall be issued except for the purposes of financing the costs of the design, acquisition and construction of extensions, additions, betterments or improvements to the System, refunding all or a portion of one or more series of Bonds issued pursuant hereto, or to pay claims which may exist against the revenues or facilities of the System or all of such purposes.

So long as the Series 2018 Bonds are outstanding, no Parity Bonds shall be issued at any time, however, unless and until there has been procured a written statement by Independent Certified Public Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustment hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such additional Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall be not less than 115%, of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

(1) The Bonds then Outstanding;

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

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

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

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

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the 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 the 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 Ordinance with respect to the Bonds then Outstanding, and any other payments provided for in this Ordinance, shall have been made in full as required to the date of issuance of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Ordinance.

Provided, however, that if the most recent audit by an independent certified public accountant for the Issuer states that the Issuer was not in compliance with the rate covenant in Section 6.04 of this Ordinance for the year being audited and the Issuer has, as required by Section 6.04, sought a rate increase sufficient to comply with Section 6.04, such statement in the most recent audit shall not be considered a violation of the covenants, agreements and terms of this Ordinance, so as to prevent the Issuer from issuing additional Parity Bonds under this Section 6.08.

Section 6.09. Insurance and Bonds. The Issuer hereby covenants and agrees, that so long as the Series 2018 Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance and bonds and workers' compensation coverage with a reputable insurance carrier or carriers or bonding company or companies rated at least "A" by Standard & Poor's Corporation covering the following risks and in the following amounts:

A. FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the greater of the fair appraised value or the original cost thereof. In the event of any damage to or destruction of any portion of the System, the Issuer will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damages or destroyed portion. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the Issuer during construction of the Project in the full insurable value thereof.

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

C. WORKERS' COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT OR COMPLETION BONDS, such bonds to be in the amounts of not less than 100% of the amount of any construction contract and to be required of each contractor dealing directly with the Issuer and such payment bonds will be filed with the Clerk of the County Commission of Harrison County prior to commencement of construction of any additions, extensions or improvements for the System in compliance with West Virginia Code, Section 38-2-39.

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

E. BUSINESS INTERRUPTION INSURANCE, to the extent available at reasonable cost to the Issuer.

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

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

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

Section 6.10. No Free Services, Services Rendered to the Issuer. The Issuer will not render or cause to be rendered any free services of any nature by its System; and, in the event the Issuer or any department, agency, instrumentality, officer or employee thereof shall avail himself of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 6.11. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

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

been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 6.12. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 6.13. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Series 2018 Bond, shall have the right at all reasonable times to inspect the System, and all parts thereof, and all records, accounts and data of the Issuer relating thereto.

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

The Issuer shall file with the Original Purchaser and any Bond Insurer, and shall mail to any Bondholder requesting the same, an annual report within 30 days following the date of receipt of the final audit containing a balance sheet, statement of revenues, expenses, and changes in retained earnings, and statement of cash flows, as prescribed by generally accepted accounting principles.

The Issuer shall also file with the Original Purchaser and any Bond Insurer, and mail to any Bondholder requesting the same, a monthly unaudited report within 30 days following the end of each month containing the following:

(A) A statement of Gross Revenues, Operating Expenses, and Net Revenues derived from the System; and

(B) A statement of account balances in the Sinking Fund accounts provided for in this Ordinance and status of said funds.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by an Independent Accountant, shall mail upon request, and make available generally, the report of said Independent Certified Public Accountant, or a summary thereof, to any Holder or Holders of Series 2018 Bonds issued pursuant to this Ordinance and shall file said report with the Original Purchaser.

Section 6.14. Operating Budget. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, or at such earlier date required by the charter of the Issuer, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year. The Issuer shall make available such

budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Original Purchaser and to any Bondholder or anyone acting for and in behalf of such Bondholder who requests the same.

Section 6.15. Mandatory Connections. The mandatory use of the 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 6.16. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2018 Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon the issuance of the Series 2018 Bonds.

Section 6.17. Covenants Regarding the Municipal Bond Insurance Policy. The Issuer may obtain a Municipal Bond Insurance Policy for the Series 2018 Bonds. In the event such Municipal Bond Insurance Policy is obtained, certain additional covenants of the Issuer will be required by the Bond Insurer as a condition to insuring the Series 2018 Bonds. These additional covenants shall be set forth in full in the Supplemental Resolution, shall apply to the Series 2018 Bonds and any other Bonds which may be insured by such Bond Insurer, and shall be controlling in the event any other provisions of this Ordinance may be in conflict therewith.

Section 6.18. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 2018 Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 2018 Bonds during the term thereof is, under the terms of the Series 2018 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or

to be used for a Private Business Use; and (ii) and that, in the event that both (A) in excess of 5% of the Net Proceeds of the Series 2018 Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 2018 Bonds during the term thereof is, under the terms of the Series 2018 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 2018 Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the Project, or if the Series 2018 Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of that portion of the Project to which such Private Business Use is related, all of the foregoing to be determined in accordance with the Code.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Series 2018 Bonds or $5,000,000 are used, directly or indirectly, to make or finance a loan to persons other than state or local government units

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2018 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

D. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 2018 Bonds and the interest thereon, including without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take all actions that may be required of it so that the interest on the Series 2018 Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion. .

Section 6.19. Continuing Disclosures. In order to provide the written undertaking for the benefit of the owners of the Series 2018 Bonds required by the Securities and Exchange Commission Rule 15c2-12, the Issuer shall enter into a Continuing Disclosure Agreement in such form as may be approved by the Supplemental Resolution, and the Mayor are authorized and directed to execute and deliver such Continuing Disclosure Agreement on behalf of the Issuer, with such changes as the Mayor shall approve, such approval to be conclusively evidenced by the execution of such Agreement by the Mayor.

Section 6.20 Preliminary Official Statement; Official Statement. The distribution of the Preliminary Official Statement with respect to the Series 2018 Bonds shall be and the same is hereby approved. The form of the Preliminary Official Statement shall be in such form as may be approved by the Supplemental Resolution. The Mayor is hereby authorized and directed to execute and deliver a final official statement on behalf of the Issuer, which shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be required to reflect the terms of the sale of the Series 2018 Bonds and as the Mayor may approve (the "Official Statement"). The execution of the Official Statement by the Mayor shall be conclusive evidence of such approval. Copies of the Official Statement are hereby authorized to be prepared and furnished to the Original Purchaser for distribution.

Section 6.21. Designation of Series 2018 Bonds as "Qualified Tax-Exempt Obligations". The Issuer hereby designates the Series 2018 Bonds as "qualified tax-exempt obligations" for purposes of paragraph 3 of Section 265(b) of the Code and affirms that not more than $10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income tax purposes (excluding, however, obligations described in Section 265 (b)(3)(C)(ii) of the Code), have been or shall be issued by the Issuer or any entities subordinate to it, during the calendar year 2018, all as determined in accordance with the Code. For purposes of the paragraph and for the purposes of applying such Section 265(b)(3) of the Code, the Issuer and all entities which issue obligations on behalf of the Issuer shall be treated as one issuer; all obligations issued by a subordinate entity shall, for purposes of applying this paragraph and Section 265(b)(3) of the Code to each other entity to which such entity is subordinate, be treated and issued by such other entity; and an entity formed (or, to the extent provided by the City Clerk, as set forth in the Code, availed of) to avoid the purposes of section 265(b)(3)(C) or (D) of the Code and all entities benefitting thereby shall be treated as one issuer.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2018 Bonds:

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

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part in this Ordinance or any Supplemental Resolution or in the Series 2018 Bonds contained, and such default shall have continued for a period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer by any Bondholder, beneficial owner of a Bond, or any Insurer; or

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

Section 7.02. Enforcement. Upon the happening and continuance of any Event of Default, any Bondholder or beneficial owner of a Bond (with the prior written consent of the applicable Bond Insurer) or any Bond Insurer may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular:

(A) Bring suit for any unpaid principal or interest then due;

(B) By mandamus or other appropriate proceeding enforce all rights of the Bondholders, including the right to require the Issuer to perform its duties under the Act and this Ordinance;

(C) Bring suit upon the Series 2018 Bonds, as applicable;

(D) By action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Bondholders; and

(E) By action or bill in equity enjoin any acts in violation of this Ordinance or the rights of the Bondholders.

No remedy by the terms of this Ordinance conferred upon or reserved to the Bondholders or beneficial owner of a Bond is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Bondholders or beneficial owner of a Bond hereunder or now or hereafter existing at law or by statute.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder by the Bondholders shall be made without the prior written consent of the applicable Bond Insurer or shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereto.

Section 7.03. Appointment of Receiver. If there be any Event of Default existing and continuing, any Bondholder, beneficial owner of a Bond or any Bond Insurer shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the principal of and interest on the Series 2018 Bonds, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other Revenues in conformity with the provisions of this Ordinance and the Act.

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

Whenever all that is due upon the Series 2018 Bonds issued pursuant to this Ordinance and interest thereon and under any covenants of this Ordinance for reserve, sinking or other funds and accounts and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Revenues of the System shall have been paid and made good, and all defaults under the provisions of this Ordinance shall have been cured and made good, and all monies due hereunder or under any Supplemental Resolution have been paid in full, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Bondholder or beneficial owner of the 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, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby and a successor receiver appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court

to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and the Holders of the Series 2018 Bonds issued pursuant to this Ordinance. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the Issuer and the Bondholders or beneficial owner of the Bonds, and the curing and making good of any default under the provisions of this Ordinance, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

Notwithstanding any other provision of this Ordinance, in determining whether the rights of the Bondholders or beneficial owner of the Bonds will be adversely affected by any action taken pursuant to the terms and provisions of this Ordinance, any trustee or Bondholder's committee shall consider the effect on the Bondholders or beneficial owner of the Bonds as if no Municipal Bond Insurance Policy were then in effect.

Section 7.04. Restoration of Issuer and Bondholder. In case any Bondholder shall have proceeded to enforce any right under this Ordinance by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Issuer and such Bondholder shall be restored to their former positions and rights hereunder, and all rights and remedies of such Bondholder shall continue as if no such proceedings had been taken.

ARTICLE VIII

REGISTRAR AND PAYING AGENT

Section 8.01. Appointment of Registrar. The Registrar for the Series 2018 Bonds shall be appointed pursuant to the Supplemental Resolution. The Issuer is hereby authorized and directed to enter into an agreement with the Registrar, the substantial form of which agreement is to be approved by Supplemental Resolution.

Section 8.02. Responsibilities of Registrar. The recitals of fact in the Bonds shall be taken as statements of the Issuer, and the Registrar shall not be responsible for their accuracy. The Registrar shall not be deemed to make any representation as to, and shall not incur any liability on account of, the validity of the execution of any Series 2018 Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication on the Series 2018 Bonds. The Registrar and any successor thereto shall agree to perform all the duties and responsibilities spelled out in this Ordinance and any other duties and responsibilities incident thereto, all as provided by said agreement described in Section 8.01.

Section 8.03. Evidence on Which Registrar May Act. Except as otherwise provided by Section 10.02, the Registrar shall be protected in acting upon any notice, resolution, request, consent,

order, certificate, opinion or other document believed by it to be genuine and to have been signed or presented by the proper party or parties. Whenever the Registrar shall deem it necessary or desirable that a fact or matter be proved or established prior to taking or suffering any action, such fact or matter, unless other evidence is specifically prescribed, may be deemed to be conclusively proved and established by a certificate of an Authorized Officer of the Issuer, but in its discretion the Registrar may instead accept other evidence of such fact or matter.

Section 8.04. Compensation and Expenses. The Issuer shall pay to the Registrar from time to time reasonable compensation for all services, including the transfer of registration of Series 2018 Bonds, the first exchange of Series 2018 Bonds and the exchange of Series 2018 Bonds in the event of partial redemption, incurred in the performance of its duties hereunder.

Section 8.05. Certain Permitted Acts. The Registrar may become the owner of or may deal in Series 2018 Bonds as fully and with the same rights it would have if it were not Registrar. To the extent permitted by law, the Registrar may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or effect or aid in any reorganization growing out of the enforcement of the Series 2018 Bonds, or this Ordinance, whether or not any such committee shall represent the Holders of a majority in principal amount of the Series 2018 Bonds Outstanding.

Section 8.06. Resignation of Registrar. The Registrar may at any time resign and be discharged of its duties and obligations under this Ordinance by giving not less than 60 days written notice to the Issuer and mailing such notice to each Bondholder, specifying the date when such resignation shall take effect, within 20 days after the giving of such written notice.. Such resignation shall take effect upon the day specified in such notice unless a successor shall have been previously appointed by the Issuer or bondholders, in which event such resignation shall take effect immediately, provided, that in no event shall such resignation take effect until a successor has been appointed and has accepted its duties as Registrar.

Section 8.07. Removal. The Registrar may be removed at any time by the Issuer, the applicable Bond Insurer or by the Holders of a majority in principal amount of the Series 2018 Bonds then Outstanding by an instrument or concurrent instruments in writing signed and duly acknowledged by the Issuer, the applicable Bond Insurer or by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer, as the case may be. Copies of each such instrument shall be delivered by the Issuer to the Registrar. Such removal shall take effect upon the date stated in such instrument, provided, that in no event shall such removal take effect until a successor has been appointed and has accepted its duties as Registrar.

Section 8.08. Appointment of Successor. In case at any time the Registrar shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Registrar or of its property shall be appointed, or if any public officer or court shall take charge or control of the Registrar or of its property or affairs, a successor may be appointed by the Holders of a majority in principal amount of the Series 2018 Bonds then Outstanding by an instrument or concurrent instruments in writing signed by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer and such successor Registrar, notification thereof being given to the predecessor Registrar. Pending such appointment, the Issuer shall forthwith appoint a Registrar to fill such vacancy until a successor Registrar shall be appointed by such Bondholders. The Issuer shall mail to each Bondholder notice of any such appointment within 20 days after the effective

date of such appointment. Any successor Registrar appointed by the Issuer shall, immediately and without further act, be superseded by a Registrar appointed by such Bondholders. If in a proper case no appointment of a successor Registrar shall be made within 45 days after the Registrar shall have given to the Issuer written notice of resignation or after the occurrence of any other event requiring such appointment, the Registrar or any Bondholder may apply to any court of competent jurisdiction to appoint a successor. Any Registrar appointed under the provisions of this section shall be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Ordinance.

Section 8.09. Transfer of Rights and Property to Successor. Any predecessor Registrar or Paying Agent shall pay over, assign and deliver any monies, books and records held by it to its successor.

Section 8.10. Merger or Consolidation. Any company into which the Registrar may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which the Registrar or any public officer or court may sell or transfer all or substantially all of its corporate trust business, shall be the successor to such Registrar without the execution or filing of any paper or the performance of any further act; provided, however, that such company shall be a bank, trust company or national banking association meeting the requirements set forth in Section 8.08.

Section 8.11. Adoption of Authentication. In case any of the Series 2018 Bonds shall have been authenticated but not delivered, any successor Registrar may adopt a Certificate of Authentication and Registration executed by any predecessor Registrar and deliver such Bonds so authenticated, and, in case any Bonds shall have been prepared but not authenticated, any successor Registrar may authenticate such Bonds in the name of the predecessor Registrar or in its own name.

Section 8.12. Paying Agent. The West Virginia Municipal Bond Commission shall initially serve as Paying Agent. Any alternate Paying Agent must be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Ordinance. Such alternate Paying Agent shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the Issuer a written acceptance thereof. Any successor Paying Agent shall take such actions as may be necessary to ensure that the Series 2018 Bonds shall be and remain DTC-Eligible.

Each Paying Agent shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by such Paying Agent in connection with such services solely from monies available therefor.

Any bank, trust company or national banking association with or into which any Paying Agent may be merged or consolidated, or to which the assets and business of such Paying Agent may be sold, shall be deemed the successor of such Paying Agent for the purposes of this Ordinance. If the position of Paying Agent shall become vacant for any reason, the Issuer shall, within 30 days thereafter, appoint a bank, trust company or national banking association located in the same city as such Paying Agent to fill such vacancy; provided, however, that, if the Issuer shall fail to appoint such Paying Agent within said period, the Bond Commission, a court of competent jurisdiction or a majority of the Bondholders may make such appointment.

The Paying Agents shall enjoy the same protective provisions in the performance of their duties hereunder as are specified in this Article VIII with respect to the Registrar, insofar as such provisions may be applicable.

Notice of the appointment of successor or additional Paying Agents or fiscal agents shall be given in the same manner as provided by Section 8.08 hereof with respect to the appointment of a successor Registrar.

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

ARTICLE IX

DEFEASANCE; DISCHARGE OF PLEDGE OF ORDINANCE

Section 9.01. Defeasance; Discharge of Pledge of Ordinance. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 2018 Bonds the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Ordinance, and all other monies due hereunder have been paid, then this Ordinance and the pledges of the Net Revenues and other monies and securities pledged hereunder, and all covenants, agreements and other obligations of the Issuer on behalf of the Holders of the Series 2018 Bonds made hereunder, as applicable, shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with the monies, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on such Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 2018 Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Bond Commission or an escrow trustee either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with the monies, if any, deposited with the Bond Commission or said escrow trustee at the same or earlier time shall be sufficient, to pay when due the principal of, any redemption premium on and interest due and to become due on said Bonds on and prior to the maturity date thereof, or if the Issuer irrevocably determines to redeem any of said Bonds prior to the maturity thereof, on and prior to said Redemption Date. Neither securities nor monies deposited with the Bond Commission or an escrow trustee pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on said Bonds; provided, that any cash received from such principal, redemption premium, if any, and interest payments on such securities deposited with the Bond Commission or said escrow trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of and redemption premium, if any, and interest to become due on said Bonds on and prior to such maturity or Redemption Dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Bond Commission or said escrow trustee, free and clear of any trust, lien or pledge.

ARTICLE X

MISCELLANEOUS

Section 10.01. Amendment of Ordinance. Prior to issuance of the Series 2018 Bonds, this Ordinance may be amended, modified or supplemented in any way by the Supplemental Resolution. All provisions required by the Bond Insurer, if any, shall be set forth in the Supplemental Resolution and to the extent they constitute an amendment or modification of this Ordinance, shall be controlling. Following issuance of the Series 2018 Bonds, this Ordinance and any Supplemental Resolution may, without the consent of any Bondholder or other person, be amended, modified or supplemented in any manner which, in the opinion of Bond Counsel, does not materially adversely affect the interests of the Bondholders or any Bond Insurer; provided, that in the event any of the Bonds are insured, no such amendment or modification which affects the rights of the applicable Bond Insurer for such Bonds may be made without the written consent of such Bond Insurer. Otherwise, no materially adverse amendment or modification to this Ordinance, or of any Supplemental Resolution, may be made without the written consent of the Holders of 60% in aggregate principal amount of the Series 2018 Bonds then Outstanding and affected thereby and the Bond Insurer, if any, which must be filed with the City Clerk of the Issuer before any such modification or amendment may be made. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Bond without the express written consent of the Holder of such Bond, nor reduce the percentage of Series 2018 Bonds required for consent to any such modification or amendment.

Section 10.02. Evidence of Signatures of Bondholders and Ownership of Bonds. Any request, consent, revocation of consent or other instrument which this Ordinance may require or permit to be signed and executed by Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys duly authorized in writing. Proof of the execution of any such instrument, or of an instrument appointing or authorizing any such attorney, shall be sufficient for any purpose of this Ordinance if made in the following manner, or in any other manner satisfactory to the Issuer or the Registrar, as the case may be, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

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

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

C. The amount of fully registered Series 2018 Bonds held by a person executing any instrument as a Bondholder, the date of his holding such Series 2018 Bonds and the numbers and other identification thereof, shall be confirmed by the Bond Register.

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

Section 10.03. Preservation and Inspection of Documents. To the extent allowable under law, all reports, certificates, statements and other documents received by the Registrar under the provisions of this Ordinance shall be retained in its possession and shall be available at all reasonable times for the inspection of the Issuer or any Bondholder, and their agents and their representatives, but any such reports, certificates, statements or other documents may, at the election of the Registrar, be destroyed or otherwise disposed of at any time after such date as the pledge created by this Ordinance shall be discharged as provided in Section 9.01.

Section 10.04. Cancellation of Bonds. All Series 2018 Bonds purchased or paid shall, if surrendered to the Issuer, be canceled and delivered to the Registrar, or, if surrendered to the Registrar, be canceled by it. No such Bonds shall be deemed Outstanding under this Ordinance and no Series 2018 Bonds shall be issued in lieu thereof. All such Bonds shall be canceled and upon order of the Issuer shall be destroyed, and a certificate evidencing such destruction shall be delivered to the Issuer.

Section 10.05. Failure to Present Bonds. Anything in this Ordinance to the contrary notwithstanding, any monies held by the Bond Commission or a Paying Agent in trust for the payment and discharge of any of the Series 2018 Bonds which remain unclaimed for two years after the date on which such Bonds have become due and payable, whether by maturity or upon call for redemption, shall at the written request of the Issuer be paid by the Bond Commission or said Paying Agent to the Issuer as its absolute property and free from trust, and the Bond Commission or said Paying Agent shall thereupon be released and discharged with respect thereto, and the Holders of such Bonds shall look only to the Issuer for the payment of such Bonds; provided, however, that, before making any such payment to the Issuer, the Registrar, if so advised by the Bond Commission, or said Paying Agent shall send to the Holder, at the address listed on the Bond Register, by certified mail, a notice that such monies remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of such notice is mailed, the balance of such monies then unclaimed will be returned to the Issuer.

Section 10.06. Notices, Demands and Requests. Unless otherwise expressly provided, all notices, demands and requests to be given or made hereunder to or by the Issuer, the Registrar, the Depository Bank, the Original Purchaser or the Bond Insurer, if any, shall be in writing and shall be properly made if sent by United States mail, postage prepaid, and addressed as follows or if hand-delivered to the individual to whom such notice, demand or request is required to be directed as indicated below:

ISSUER
City of Salem
229 W. Main Street
Salem, West Virginia 26426
Attention: Mayor

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

PAYING AGENT
West Virginia Municipal Bond Commission
900 Pennsylvania Avenue, Suite 1117
Charleston, West Virginia 25302
Attn: Executive Director

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

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

BOND INSURER
[Name(s) and address(es) to be set forth in the Supplemental Resolution, if any]

Any party listed above may change such address listed for it at any time upon written notice of change sent by United States mail, postage prepaid, to the other parties.

Section 10.07. No Personal Liability. No member of the Council, the Issuer or officer or employee of the Issuer shall be individually or personally liable for the payment of the principal of or the interest on any Bond, but nothing herein contained shall relieve any such member, official or employee from the performance of any official duty provided by law or this Ordinance.

Section 10.08. Law Applicable. The laws of the State shall govern the construction of this Ordinance and of all Series 2018 Bonds issued hereunder.

Section 10.09. Parties Interested Herein. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2018 Bonds, the beneficial owners of the Series 2018 Bonds, the applicable Bond Insurer, if any, and the Original Purchaser, any right, remedy or claim under or by reason of this Ordinance. All the covenants, stipulations, promises and agreements contained in this Ordinance by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2018 Bonds, the Bond Insurer, if any, and the Original Purchaser.

Section 10.10. Reserved

Section 10.11. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Ordinance shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Ordinance.

Section 10.12. Table of Contents and Headlines. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 10.13. Conflicting Provisions Repealed. All ordinances, orders, resolutions or parts thereof in conflict with the provisions of this Ordinance, are, to the extent of such conflict, hereby repealed.

Section 10.14. Procedure on Enactment of Ordinance; Public Hearing. Upon adoption hereof, an abstract of this Ordinance determined by the Governing Body to contain sufficient information as to give notice of the contents hereof shall be published once a week for 2 successive weeks within a period of fourteen consecutive days, with at least 6 full days intervening between each publication, in the *Clarksburg Exponent Telegram*, a newspaper of general circulation in the City of Salem, together with a notice stating that this Ordinance has been adopted and that the Issuer contemplates the issuance of the Series 2018 Bonds, and that any person interested may appear before the Governing Body upon a date certain, not less than ten days subsequent to the date of the first publication of such abstract of this Ordinance and notice, and present protests, and that a certified copy of this Ordinance is on file with the Governing Body for review by interested persons during office hours of the Governing Body. At such hearing, all objections and suggestions shall be heard and the Governing Body shall take such action as it shall deem proper in the premises.

Section 10.15 Effective Date. This Ordinance shall become effective 30 days following public hearing and enactment hereon in accordance with the Act.

First Reading:	June 27, 2017
Second Reading:	July 11, 2017
Effective following Public Hearing held on:	July 25, 2017

CITY OF SALEM

Mayor

CERTIFICATION

Certified a true, correct and complete copy of an Ordinance duly enacted by the City Council of the CITY OF SALEM at a regular meeting of the City Council held on July 25, 2017 as supplemented by Supplemental Parameters Resolution adopted February 13, 2018.

Dated: March 28, 2018

[SEAL]

City Clerk

EXHIBIT A-1 – FORM OF SERIES 2018 A BONDS

[DTC Legend]

No. AR-_____ $_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF SALEM, WEST VIRGINIA
SEWER REFUNDING REVENUE BONDS, SERIES 2018 A (BANK QUALIFIED)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
_____%	_____	_____	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF SALEM (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on _____ 1 and _____ 1, in each year, beginning _____ 1, 20__ (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter-described Ordinance.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying

agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each _____ 15 and _____ 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by _____, _____, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least $1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $_____ designated the "City of Salem Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified)" (the "Series 2018 A Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated _____, 2018, upon original issuance, the proceeds of which are to be used, together with other funds of the Issuer, (i) to currently refund the Issuer's Sewer Revenue Bonds, Series 1995 B, (ii) to fund a reserve account for the Series 2018 A Bonds, and (iii) to pay certain costs of issuance of the Series 2018 A Bonds and related costs. The Series 2018 A Bonds are issued under the authority of and in full compliance with the Constitution and statute of the State of West Virginia, including particularly, Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act"), and an ordinance duly enacted by the City Council of the Issuer on July 25, 2017, and supplemented by a Supplemental Parameters Resolution and Conformed Ordinance adopted by said Council on _____, 2018 (hereinafter collectively referred to as the "Ordinance"), and is subject to all the terms and conditions of said Ordinance. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Series 2018 A Bonds under the Ordinance. Reference is hereby made to the Ordinance, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Series 2018 A Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Ordinance are on file at the office of the City Clerk in the City of Salem, West Virginia.

[The Series 2018 A Bonds are additionally secured, but only to the extent described in the Statement of Insurance printed on the Bonds, by a policy of municipal bond insurance issued by [Bond Insurer].]

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S SEWER REVENUE BONDS, SERIES 2018 B, DATED _____, 2018, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "SERIES 2018 B BONDS").

The Series 2018 A Bonds are subject to redemption prior to their stated maturity dates, as provided in the Ordinance and as set forth in the following lettered paragraphs:

(A) Optional Redemption. The Bonds are subject to optional redemption prior to maturity as follows:

(B) Mandatory Sinking Fund Redemption. The Bonds maturing on _____, 20_____ and 20_____ are subject to annual mandatory sinking fund redemption prior to maturity by random selection as may be determined by the Registrar, on _____ 1 of the years and in the principal amounts set forth below, at the Redemption Price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Bonds Maturing _____ 1, 20

_____	Year (1)	Principal Amount

Bonds Maturing _____ 1, 20

_____	Year (1)	Principal Amount

_____
* Final Maturity

In the event of any redemption of less than all outstanding Series 2018 A Bonds, the maturities to be redeemed shall be selected by the Paying Agent at the direction of the Issuer and Series 2018 A Bonds to be redeemed shall be determined by lot within a maturity, or in such other manner deemed appropriate by the Paying Agent. If less than all the Series 2018 A Bonds are to be redeemed, the Series 2018 A Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Series 2018 A Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2018 A Bond or Series 2018 A Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Paying Agent. Such notice shall also be given by the Paying Agent to the Registrar. Notice of redemption having been given as aforesaid, the Series 2018 A Bonds or portions of Series 2018 A Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Series 2018 A Bonds or portions of Series 2018 A Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Series 2018 A Bond.

The Series 2018 A Bonds and the interest thereon are payable only from and are secured by the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System, on a parity in all respects with the pledge of the Net Revenues created in favor of the holders of the Series 2018 B Bonds, all monies in the Series 2018 A Bonds Sinking Fund, and the Series 2018 A Bonds Reserve Account therein, established under the Ordinance, and the unexpended proceeds of the Series 2018 A Bonds, and the Issuer hereby and in the Ordinance pledges such revenues and monies to such payment. Said Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Ordinance. This Series 2018 A Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the monies in the Series 2018 A Bonds Sinking Fund and the Series 2018 A Bonds Reserve Account and said unexpended Series 2018 A Bond proceeds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Series 2018 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2018 A Bonds, including the Series 2018 B Bonds. The Issuer has entered into certain further covenants with the registered owners of the Series 2018 A Bonds, for the terms of which reference is made to the Ordinance. Remedies provided the registered owners of the Series 2018 A Bonds are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest thereon shall be applied solely to pay all costs of the Project, funding a reserve account for the Series 2018 A Bonds and pay costs of issuance of the Bonds, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owners of said Series 2018 A Bonds.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Series 2018 A Bond have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Series 2018 A Bond, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Series 2018 A Bonds of which this Series 2018 A Bond is one.

This Series 2018 A Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the within-described Ordinance.

The Issuer has designated the Series 2018 A Bonds as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code

This Series 2018 A Bond and the income therefrom are, under the Act, exempt from all taxation by the State of West Virginia, or any county, municipality, political subdivision or agency thereof.

This Series 2018 A Bond shall not be entitled to any benefit under the Ordinance, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

All provisions of the Ordinance, and the statutes under which this Series 2018 A Bond is issued shall be deemed to be a part of the contract evidenced by this Series 2018 A Bond to the same extent as if written fully herein.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the CITY OF SALEM (West Virginia) has caused this Bond to be signed by its Mayor and City Clerk, and its corporate seal to be imprinted hereon and attested by its City Clerk, and has caused this Series 2018 A Bond to be dated as of the Series 2018 A Bond date specified above.

[SEAL]

[Manual or facsimile signature]
Mayor

ATTEST:

[Manual or facsimile signature]
City Clerk

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Series 2018 A Bond is one of the fully registered Series 2018 A Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Series 2018 A Bonds.

Dated: _____, 2018.

United Bank
As Registrar

By _____
Its Authorized Officer

(FORM OF)
ASSIGNMENT

Social Security or Other Identifying Number of Assignee

_____

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

Dated: _____, 20___.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

EXHIBIT A-2 – FORM OF SERIES 2018 B BONDS

[DTC Legend]

No. BR-_____ $_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF SALEM, WEST VIRGINIA
SEWER REVENUE BONDS, SERIES 2018 B (BANK QUALIFIED)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
_____%	_____	_____	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF SALEM (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on _____ 1 and _____ 1, in each year, beginning _____ 1, 20__ (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter-described Ordinance.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each _____ 15 and _____ 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by _____, _____, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least $1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $_____ designated the "City of Salem Sewer Revenue Bonds, Series 2018 B (Bank Qualified)" (the "Series 2018 B Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated _____, 2018, upon original issuance, the proceeds of which are to be used, together with other funds of the Issuer, (i) to finance the cost of acquisition and construction of certain additions, betterments and improvements to the sewer system of the Issuer, (ii) to fund a reserve account for the Series 2018 B Bonds, and (iii) to pay certain costs of issuance of the Series 2018 Bonds and related costs. The Series 2018 B Bonds are issued under the authority of and in full compliance with the Constitution and statute of the State of West Virginia, including particularly, Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act"), and an ordinance duly enacted by the City Council of the Issuer on July 25, 2017, and supplemented by a Supplemental Parameters Resolution and Conformed Ordinance adopted by said Council on _____, 2018 (hereinafter collectively referred to as the "Ordinance"), and is subject to all the terms and conditions of said Ordinance. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Series 2018 B Bonds under the Ordinance. Reference is hereby made to the Ordinance, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Series 2018 B Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Ordinance are on file at the office of the City Clerk in the City of Salem, West Virginia.

[The Series 2018 B Bonds are additionally secured, but only to the extent described in the Statement of Insurance printed on the Bonds, by a policy of municipal bond insurance issued by [Bond Insurer].]

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S SEWER REFUNDING REVENUE BONDS, SERIES 2018 A, DATED _____, 2018, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "SERIES 2018 A BONDS

The Series 2018 B Bonds are subject to redemption prior to their stated maturity dates, as provided in the Ordinance and as set forth in the following lettered paragraphs:

(A) Optional Redemption. The Bonds are subject to optional redemption prior to maturity as follows:

(B) Mandatory Sinking Fund Redemption. The Bonds maturing on _____, 20_____ and 20_____ are subject to annual mandatory sinking fund redemption prior to maturity by random selection as may be determined by the Registrar, on _____ 1 of the years and in the principal amounts set forth below, at the Redemption Price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Bonds Maturing _____ 1, 20

_____	Year (1)	Principal Amount

Bonds Maturing _____ 1, 20

_____	Year (1)	Principal Amount

_____
* Final Maturity

In the event of any redemption of less than all outstanding Series 2018 B Bonds, the maturities to be redeemed shall be selected by the Paying Agent at the direction of the Issuer and Series 2018 B Bonds to be redeemed shall be determined by lot within a maturity, or in such other manner deemed appropriate by the Paying Agent. If less than all the Series 2018 B Bonds are to be redeemed, the Series 2018 B Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Series 2018 B Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2018 B Bond or Series 2018 B Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Paying Agent. Such notice shall also be given by the Paying Agent to the Registrar. Notice of redemption having been given as aforesaid, the Series 2018 B Bonds or portions of Series 2018 B Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Series 2018 B Bonds or portions of Series 2018 B Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Series 2018 B Bond.

The Series 2018 B Bonds and the interest thereon are payable only from and are secured by the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System, on a parity in all respects with the pledge of the Net Revenues created in favor of the holders of the series 2018 A Bonds, all monies in the Series 2018 B Bonds Sinking Fund, and the Series 2018 B Bonds Reserve Account therein, established under the Ordinance, and the unexpended proceeds of the Series 2018 B Bonds, and the Issuer hereby and in the Ordinance pledges such revenues and monies to such payment. Said Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Ordinance. This Series 2018 B Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the monies in the Series 2018 B Bonds Sinking Fund and the Series 2018 B Bonds Reserve Account and said unexpended Series 2018 B Bond proceeds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Series 2018 B Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2018 B Bonds, including the Series 2018 A Bonds. The Issuer has entered into certain further covenants with the registered owners of the Series 2018 B Bonds, for the terms of which reference is made to the Ordinance. Remedies provided the registered owners of the Series 2018 B Bonds are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest thereon shall be applied solely to pay all costs of the Project, funding a reserve account for the Series 2018 B Bonds and pay costs of issuance of the Bonds, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owners of said Series 2018 B Bonds.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Series 2018 B Bond have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Series 2018 B Bond, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Series 2018 B Bonds of which this Series 2018 B Bond is one.

This Series 2018 B Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the within-described Ordinance.

The Issuer has designated the Series 2018 B Bonds as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code

This Series 2018 B Bond and the income therefrom are, under the Act, exempt from all taxation by the State of West Virginia, or any county, municipality, political subdivision or agency thereof.

This Series 2018 B Bond shall not be entitled to any benefit under the Ordinance, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

All provisions of the Ordinance, and the statutes under which this Series 2018 B Bond is issued shall be deemed to be a part of the contract evidenced by this Series 2018 B Bond to the same extent as if written fully herein.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the CITY OF SALEM (West Virginia) has caused this Bond to be signed by its Mayor and City Clerk, and its corporate seal to be imprinted hereon and attested by its City Clerk, and has caused this Series 2018 B Bond to be dated as of the Series 2018 B Bond date specified above.

[SEAL]

[Manual or facsimile signature]
Mayor

ATTEST:

[Manual or facsimile signature]
City Clerk

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Series 2018 B Bond is one of the fully registered Series 2018 B Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Series 2018 B Bonds.

Dated: _____, 2018.

United Bank
As Registrar

By _____
Its Authorized Officer

(FORM OF)
ASSIGNMENT

Social Security or Other Identifying Number of Assignee

_____

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

Dated: _____, 20___.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

SUPPLEMENTAL PARAMETERS RESOLUTION

SUPPLEMENTAL RESOLUTION AUTHORIZING AND APPROVING CERTAIN PARAMETERS AS TO DATES, AMOUNTS, MATURITIES, INTEREST RATES, REDEMPTION PROVISIONS, PURCHASE PRICE AND OTHER DETAILS AS TO THE SEWER REFUNDING REVENUE BONDS, SERIES 2018 A (BANK QUALIFIED) AND SEWER REVENUE BONDS, SERIES 2018 B (BANK QUALIFIED) OF THE CITY OF SALEM; AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF SUCH BONDS TO THE ORIGINAL PURCHASER; AUTHORIZING AND APPROVING A TAX COMPLIANCE POLICY, A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT, A REGISTRAR AGREEMENT, A PRELIMINARY OFFICIAL STATEMENT; AN OFFICIAL STATEMENT, A CERTIFICATE OF DETERMINATIONS AND OTHER INSTRUMENTS RELATING TO THE BONDS; APPOINTING A REGISTRAR; PAYING AGENT AND DEPOSITORY BANK FOR SUCH BONDS; APPROVING A CONFORMED ORDINANCE; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the City Council (the "Governing Body") of the City of Salem (the "Issuer" or "Governmental Agency") has duly and officially adopted and enacted a bond ordinance on July 25, 2017 effective August 25, 2017 (the "Bond Ordinance"), entitled:

AN ORDINANCE AUTHORIZING THE REFUNDING OF THE ISSUER'S OUTSTANDING SEWER REVENUE BONDS, SERIES 1995 B AND THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING SEWER SYSTEM OF THE CITY OF SALEM AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $1,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REFUNDING REVENUE BONDS, SERIES 2017 A (TAX EXEMPT); AND NOT MORE THAN $2,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2017 B (TAX EXEMPT); PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE BONDS; AND ENACTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

WHEREAS, capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Conformed Bond Ordinance attached as Exhibit A when used herein;

WHEREAS, the Issuer desires to amend the Bond Ordinance though this Supplemental Parameters Resolution and Conformed Ordinance (collectively, the "Bond Legislation")

WHEREAS, the Sewer Refunding Revenue Bonds, Series 2017 A and Sewer Revenue Bonds, Series 2017 B were not issued in 2017, but will be issued in 2018;

WHEREAS, the Governing Body desires to re-designate the Sewer Refunding Revenue Bonds, Series 2017 A and Sewer Revenue Bonds, Series 2017 B as Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified) and Sewer Revenue Bonds, Series 2018 B (Bank Qualified) respectively;

WHEREAS, the Bond Legislation provides for the issuance by the Issuer of its Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified), in the aggregate principal amount of not more than $1,500,000, for the purposes of (i) refunding the Series 1995 B Bonds; (ii) funding the Series 2018 A Bonds Reserve Account; and (iii) paying costs of issuance of the Series 2018 A Bonds, and Sewer Revenue Bonds, Series 2018 B (Bank Qualified), in the aggregate principal amount of not more than $2,500,000 for the purposes of (i) paying the costs of acquisition and construction of additions, betterments and improvements to the System; (ii) funding the Series 2018 B Bonds Reserve Account; and (iii) paying costs of issuance thereof, all in accordance with Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, the Ordinance further provided that the exact dates, amounts, maturities, interest rates, redemption provisions, purchase price and other terms of the Series 2018 Bonds should be established by supplemental resolution or by a Certificate of Determinations, that a Registrar, Paying Agent and Depository Bank be designated, that a Bond Purchase Agreement, a Continuing Disclosure Agreement, a Registrar Agreement and an Official Statement be approved and that other matters pertaining to the Series 2018 Bonds be provided for by a supplemental resolution of the Governing Body or pursuant to a Certificate of Determinations, and that additional covenants and provisions relating to the Series 2018 Bonds be provided therein be provided for by a supplemental resolution of this Governing Body or by Certificate of Determinations;

WHEREAS, the Series 2018 Bonds are proposed to be purchased by Crews & Associates, Inc. (the "Original Purchaser"), pursuant to a Bond Purchase Agreement between the Original Purchaser and the Issuer, to be dated the date of execution thereof (the "Bond Purchase Agreement");

WHEREAS, the Governing Body wishes to delegate to the Mayor the authority to approve, within the parameters set forth herein and in the Ordinance, the final terms of the Series 2018 Bonds and all provisions of all documents relating to the Series 2018 Bonds (the "Bond Documents"), without the requirement of further official action by this Governing Body; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental parameters resolution (the "Supplemental Parameters Resolution") be adopted, that the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Tax Certificate, and the Registrar Agreement hereinafter provided for be entered into by the Issuer, that the Preliminary Official Statement and Official Statement relating to the Series 2018 Bonds, hereinafter described, be approved, that the Mayor be

authorized to execute the Certificate of Determinations and enter into the Bond Purchase Agreement, all within the parameters hereby approved by the Governing Body, and that other matters relating to the Series 2018 Bonds be herein provided for, all in accordance with the Ordinance.

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

Section 1. Pursuant to the Ordinance and the Act, this Supplemental Parameters Resolution is adopted and there are hereby authorized and ordered to be issued the Series 2018 Bonds. The Series 2018 Bonds shall be issued in the aggregate principal amount not to exceed $4,000,000, bear interest at an interest rate not to exceed 6.0% payable semiannually, shall mature in not more than 30 years from the date of issue, shall be dated such date, upon original issuance, shall mature in such principal amounts on such dates, and shall be subject to such redemption provisions, all as shall subsequently be approved by the Mayor pursuant to the execution and delivery by the Mayor of a Certificate of Determinations with respect to the Series 2018 Bonds, dated the date of the Bond Purchase Agreement, the form of which is attached hereto as EXHIBIT B and approved hereby (the "Certificate of Determinations"), and shall be substantially in the form set forth in the Ordinance, provided however, that the specific terms of the Series 2018 Bonds shall be as determined by the Mayor at the time of the execution of the Bond Purchase Agreement and as approved by the Mayor in the Certificate of Determinations.

Section 3. The Bond Purchase Agreement by and between the Original Purchaser and the Issuer, substantially in the form to be approved pursuant to the execution and delivery by the Mayor of the Certificate of Determinations, and the execution and delivery (in multiple counterparts) by the Mayor thereof shall be and the same are hereby authorized, approved, and directed. The Mayor shall execute the Bond Purchase Agreement on behalf of the Issuer with such changes, insertions and omissions as may be approved by the Mayor. The execution of the Bond Purchase Agreement by the Mayor shall be conclusive evidence of any approval required by this Section, and authorization of any action required by the Bond Purchase Agreement relating to the issuance and sale of the Series 2018 Bonds, including the payment of all necessary fees and expenses in connection therewith.

Section 4. A. The Tax Certificate, to be dated the date of execution and delivery of the Bonds (the "Tax Certificate"), and executed and delivered by the Issuer, substantially in the form to be approved pursuant to the execution and delivery by the Mayor of the Certificate of Determinations, and the execution and delivery (in multiple counterparts) by the Mayor thereof shall be and the same are hereby authorized, approved and directed. The Mayor shall execute and deliver the Tax Certificate with such changes, insertions and omissions as may be approved by the Mayor. The execution of the Tax Certificate by the Mayor shall be conclusive evidence of any approval required by this Section.

B. The Issuer hereby approves the Tax Compliance policy attached hereto as EXHIBIT C.

Section 5. A. The Continuing Disclosure Agreement, to be dated the date of execution and delivery of the Series 2018 Bonds (the "Disclosure Agreement"), by and between the Issuer and the Dissemination Agent named therein, substantially in the form to be approved pursuant to the execution and delivery by the Mayor of the Certificate of Determinations, and the execution and delivery

(in multiple counterparts) by the Mayor thereof shall be and the same are hereby authorized, approved and directed. The Mayor shall execute and deliver the Disclosure Agreement with such changes, insertions and omissions as may be approved by the Mayor. The execution of the Disclosure Agreement by the Mayor shall be conclusive evidence of any approval required by this Section.

B. The Issuer hereby approves the Continuing Disclosure Policy attached hereto as EXHIBIT D.

Section 6. The distribution by the Original Purchaser of a Preliminary Official Statement (which is a "deemed final" official statement in accordance with SEC Rule 15c2-12), substantially in the form submitted to this meeting is hereby ratified and approved. The certificate of the Issuer relating to compliance with SEC Rule 15c2-12 and the execution and delivery thereof by the Mayor is hereby approved. The Official Statement to be substantially in the form of the Preliminary Official Statement, (with such changes, insertions and omissions as may be necessary or advisable in the opinion of the Mayor) and the distribution of counterparts or copies thereof by the Original Purchaser are hereby approved. The Mayor shall execute and deliver the Official Statement with such changes, insertions and omissions as may be approved. The execution of the Official Statement by the Mayor shall be conclusive evidence of any approval required by this Section.

Section 7. The Registrar Agreement by and between the Issuer and the Registrar designated herein, substantially in the form to be approved pursuant to the execution and delivery by the Mayor of the Certificate of Determinations, and the execution and delivery (in multiple counterparts) by the Mayor thereof shall be and the same are hereby authorized, approved and directed. The Mayor shall execute and deliver the Registrar Agreement with such changes, insertions and omissions as may be approved by the Mayor. The execution of the Registrar Agreement by the Mayor shall be conclusive evidence of any approval required by this Section.

Section 8. The firm of Steptoe & Johnson PLLC, Charleston, West Virginia, is hereby appointed bond counsel to the Issuer in connection with the issuance of the Series 2018 Bonds.

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

Section 10. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission for the purpose of serving in the capacity of Paying Agent.

Section 11. The notice addresses for the Registrar, Paying Agent and Original Purchaser shall be as follows:

REGISTRAR
United Bank
500 Virginia Street, East
Charleston, West Virginia 25301
Attention: Corporate Trust Department

PAYING AGENT
West Virginia Municipal Bond Commission
900 Pennsylvania Avenue, Suite 117
Charleston, West Virginia 25302
Attention: Executive Director

ORIGINAL PURCHASER
Crews & Associates, Inc.
69 Clay Street, Suite 202
Morgantown, West Virginia 26501

Section 14. The Mayor and City Clerk are hereby authorized and directed to execute and deliver such other documents and certificates, including a tax certificate, required or desirable in connection with the Series 2018 Bonds issue to the end that the Series 2018 Bonds may be delivered as provided in the Bond Purchase Agreement.

Section 15. The refunding of the Series 1995 B Bonds and the financing of the project with proceeds of the Series 2018 Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 16. The Mayor and City Clerk, and all other appropriate officers and employees of the Issuer are hereby authorized, empowered and directed to do any and all things proper and necessary to cause the Series 2018 Bonds to be duly and properly issued by the Issuer and delivered to the Original Purchaser as herein authorized and to otherwise facilitate the transaction contemplated by this Supplemental Parameters Resolution, and no further authority shall be necessary to authorize any such officers or employees to give such further assurance and do such further acts as may be legally required.

[Remainder of Page Intentionally Blank]

Section 17. This Supplemental Parameters Resolution shall be effective immediately following adoption hereof.

Adopted this 13th day of February, 2018.

CITY OF SALEM

By: _____
Its: Mayor

CERTIFICATION

Certified a true, correct and complete copy of a Supplemental Resolution duly adopted by the Council of the CITY OF SALEM on the 13th day of February, 2018.

[SEAL] Dated: March 28, 2018

City Clerk

EXHIBIT A

CONFORMED BOND ORDINANCE

[SEE TAB 1 OF BOND TRANSCRIPT]

EXHIBIT B

FORM OF CERTIFICATE OF DETERMINATIONS

City of Salem
Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified); and
Sewer Revenue Bonds, Series 2018 B (Bank Qualified)

CERTIFICATE OF DETERMINATIONS

The undersigned, James Robert Samples, Mayor of the City of Salem (the "Issuer"), in accordance with the Supplemental Parameters Resolution adopted by the Council of the Issuer on _____, 2018 (the "Supplemental Parameters Resolution"), with respect to the Issuer's Sewer Refunding Revenue Bonds, Series 2018 A and Sewer Revenue Bonds, Series 2018 B (collectively, the "Series 2018 Bonds"), hereby finds and determines this _____ day of _____, 2018 as follows:

1. The Series 2018 Bonds shall be dated the date of closing thereon (estimated to be _____ _____, 2018) and shall bear interest on _____ and _____ of each year commencing _____, 2018.

2. The Series 2018 Bonds shall be issued in the aggregate principal amount of $_____, at a true interest cost of ___%. Such interest rates do not exceed _____%, being the maximum interest rate authorized by the Supplemental Parameters Resolution.

3. The Series 2018 Bonds shall mature in the amounts and on the dates and shall be subject to mandatory sinking fund redemption in the amounts and on the dates set forth on Schedule 1 attached hereto and incorporated herein.

4. A. The Series 2018 A Bonds shall bear interest at the rates and produce the yields set forth on Schedule 1-A attached hereto and incorporated herein.

B. The Series 2018 B Bonds shall bear interest at the rates and produce the yields set forth on Schedule 1-B attached hereto and incorporated herein

5. The Series 2018 Bonds shall [not] be subject to [optional and/or mandatory] redemption [as set forth on Schedule 2 attached hereto and incorporated herein.]

6. The Series 2018 Bonds shall be sold to Crews & Associates, Inc. (the "Underwriter"), pursuant to the terms of the Bond Purchase Agreement by and between the Underwriter and the Issuer, at an aggregate purchase price of $_____ (representing par value less an Underwriter's discount of $_____ and a net original issue discount of $_____).

7. The forms of the Bond Purchase Agreement, the Tax Certificate, the Continuing Disclosure Agreement, the Registrar Agreement, the Rule 15c2-12 Certificate and Official Statement attached hereto are hereby approved.

The undersigned hereby certifies that the foregoing terms and conditions of the Series 2018 Bonds are within the parameters prescribed by the Supplemental Parameters Resolution, and the Series 2018 Bonds may be issued with such terms and conditions as authorized by the Supplemental Parameters Resolution.

WITNESS our signatures the day and year first written above.

CITY OF SALEM

By: _____
Its: Mayor

Schedule 1-A

SERIES 2018 A BOND TERMS

Mandatory Sinking Fund Redemption and Maturity

Bond No.	Maturity Date or Sinking Fund (_____1)	Principal Amount	Interest Rate	Price or Yield	CUSIP No.
AR-1	_____1	$_____	_____%	_____%	_____

Schedule 1-B

SERIES 2018 A BOND TERMS

Mandatory Sinking Fund Redemption and Maturity

Bond No.	Maturity Date or Sinking Fund (_____1)	Principal Amount	Interest Rate	Price or Yield	CUSIP No.
BR-1	_____1	$_____	_____%	_____%	_____

Schedule 2

Redemption Provisions:

Series 2018 Bonds

[to be inserted after pricing]

EXHIBIT C

CITY OF SALEM (WEST VIRGINIA)

TAX COMPLIANCE POLICIES

Purpose

Governmental issuers of tax-exempt and tax-credit bonds must comply with certain federal tax rules pertaining to expenditure of proceeds for qualified costs, rate of expenditure, use of bond financed property, investment of proceeds in compliance with arbitrage rules, and retention of records. The following policies are intended to establish compliance by the City of Salem, West Virginia (the *"Issuer"*), as the issuer, with these rules in connection with the issuance of the Issuer's Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified) and Sewer Revenue Bonds, Series 2018 B (Bank Qualified) (collectively, the "*Tax-Exempt Bonds*"). It is understood and agreed by the Issuer, and the Issuer has covenanted to take all actions necessary to maintain the Tax-Exempt Bonds as tax-exempt state and local bonds.

Tax Requirements Associated with Sale and Issuance of Bonds

Review and retention of tax documents related to the sale and issuance of Bonds will be supervised by the City Manager or his designee (the "*Oversight Officer*").

- Form 8038-G (tax exempt bonds) will be reviewed and filed not later than the 15th day of the 2nd calendar month following the quarter in which the bonds were issued. Filing of appropriate version or versions of Form 8038-G will be confirmed with bond counsel.

Expenditure of Proceeds for Governmental Costs

Expenditure of bond proceeds will be reviewed by the Oversight Officer.

- Bond proceeds will be disbursed pursuant to the Bond Ordinance, and will be a written order of an Authorized Officer, stating the date, amount and purpose of the disbursement.

- Requisitions must identify the financed property in conformity with the Tax and Non-Arbitrage Certificate executed by the Issuer at closing, including any certifications as to the character and average economic life of the bond-financed property.

- Requisitions for costs that were paid prior to the issuance of the bonds are, in general, limited to costs paid subsequent to, or not more than 60 days prior to, the date a "declaration of intent" to reimburse the costs was adopted by the City. If proceeds are used for reimbursement, a copy of the declaration will be obtained and included in the records for the Tax-Exempt Bonds, if not already part of the bond transcript.

- Requisitions will be in accordance with expectations to spend or commit 5% of net sale proceeds within 6 months, to spend 85% of net sale proceeds within 3 years, and to proceed with due diligence to complete the project and fully spend the net sale proceeds. Expected expenditure schedules, project timelines, and plans and specifications will be maintained to support expectations. Reasons for failure to meet the expected schedule will be documented and retained in the records for the Tax-Exempt Bonds.

- If the 18-month spending exception to rebate applies, expenditure of gross proceeds will be monitored against the following schedule for the arbitrage rebate exception for the issue, if applicable:

  15% within 6 months
  60% within 12 months
  100% within 18 months

- If the 2-year spending exception to rebate applies, expenditure of "available construction proceeds" will be monitored against the following schedule for the arbitrage rebate exception for construction issues if applicable:

  10% within 6 months
  45% within 12 months
  75% within 18 months
  100% within 24 months

Expenditure of Proceeds

In addition to the general review of expenditures described above, expenditure of proceeds of the Tax-Exempt Bonds will be reviewed by the Oversight Officer.

- Reserve funds cannot exceed the least of 10% of bond proceeds, maximum annual debt service, or 125% of average annual debt service. The initial funding of any reserve fund will be measured against this limit.

- Only a small portion (5%) of the proceeds of Tax-Exempt Bonds can be used for operating expenses or other "working capital" costs. Requisitions for costs of the

Project will accordingly be monitored to confirm that they are for capital costs of the Project.

- Investment earnings on sale proceeds of the Tax-Exempt Bonds will be tracked and will be requisitioned only for appropriate expenditures.

Use of Bond-Financed Property

Use of bond-financed property when completed and placed in service will be reviewed by the Oversight Officer.

- Average nonexempt use of bond-financed property over the life of the issue cannot exceed 10% of the proceeds.

- Agreements with business users or non-profit organizations for lease or management or services contracts, sponsored research, naming rights or any other potential nonexempt use of bond-financed property will be reviewed prior to execution of any contract to determine if property subject to the Bond Ordinance is bond-financed.

- Agreements with business users or other non-profit organizations for lease or management or services contracts or other private business use involving bond-financed property will be tracked and aggregated with other private business uses for compliance with the 10% limit, as set forth in the Tax and Non-Arbitrage Certificate.

- No item of bond-financed property will be sold or transferred to a nonexempt party without advance arrangement of a "remedial action" under the applicable Income Tax Regulations.

Investments and IRS Filings

Investment of bond proceeds in compliance with the arbitrage bond rules and rebate of arbitrage will be supervised by the Oversight Officer.

- Guaranteed investment contracts ("*GIC*") will be purchased only using the three-bid "safe harbor" of applicable Income Tax Regulations, in compliance with fee limitations on GIC brokers in the Income Tax Regulations.

- Other investments will be purchased only in market transactions.

- Calculations of rebate liability will be performed annually by outside consultants.

- Rebate payments will be made with Form 8038-T no later than 60 days after (a) each fifth anniversary of the date of issuance and (b) the final retirement of the issue. Compliance with rebate requirements will be reported to the bond trustee and the issuer.

- Identify date for first rebate payment at time of issuance. Enter in records for the issue.

Records

Management and retention of records related to tax-exempt bond issues will be supervised by the Oversight Officer.

- Records will be retained for the life of the bonds plus any refunding bonds plus three years. Records may be in the form of documents or electronic copies of documents, appropriately indexed to specific bond issues and compliance functions.

- Retainable records pertaining to the Tax-Exempt Bonds include transcript of documents executed in connection with the issuance of the bonds (including authorizing resolutions, Bond Ordinance, Form 8038-G, and Tax and Non-Arbitrage Certificate) and any amendments, and copies of rebate calculations and records of payments, including Forms 8038-T.

- Retainable records pertaining to expenditures of bond proceeds include requisitions, accounting statements and final allocation of proceeds.

- Retainable records pertaining to use of property include all agreements reviewed for nonexempt use and any reviewed documents relating to unrelated business activity.

- Retainable records pertaining to investments include GIC documents under the Income Tax Regulations, records of purchase and sale of other investments, and records of investment activity sufficient to permit calculation of arbitrage rebate or demonstration that no rebate is due.

[Remainder of Page Intentionally Blank]

Overall Responsibility

Overall administration and coordination of this policy is the responsibility of the Oversight Officer.

CITY OF SALEM

_____

By: Mayor

EXHIBIT D

CONTINUING DISCLOSURE AGREEMENT

[SEE TAB 37 OF BOND TRANSCRIPT]

CITY OF SALEM, WEST VIRGINIA
SEWER REFUNDING REVENUE BONDS, SERIES 2017 A (TAX-EXEMPT); AND
SEWER REVENUE BONDS, SERIES 2017 B (TAX EXEMPT)

BOND ORDINANCE

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CITY OF SALEM, WEST VIRGINIA

AN ORDINANCE AUTHORIZING THE REFUNDING OF THE ISSUER'S OUTSTANDING SEWER REVENUE BONDS, SERIES 1995 B AND THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING SEWER SYSTEM OF THE CITY OF SALEM AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $1,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REFUNDING REVENUE BONDS, SERIES 2017 A (TAX EXEMPT); AND NOT MORE THAN $2,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2017 B (TAX EXEMPT); PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE BONDS; AND ENACTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

WHEREAS, the City of Salem (the "Issuer" or the "City") presently owns and operates a public sewer system and has heretofore financed the acquisition and construction of the System and certain additions, betterments and improvements thereto through the issuance of several series of bonds or refunding bonds;

WHEREAS, under the provisions of Chapter 16, Article 13 of the Code of West Virginia, 1931, as amended (the "Act"), the Issuer is authorized to issue refunding revenue bonds for the purpose of refunding, paying or discharging all or any part of its outstanding revenue bonds, including interest thereon;

WHEREAS, the Issuer has determined and hereby determines that present value debt service savings would result from the Issuer's current refunding of its outstanding Sewer Revenue Bonds, Series 1995 B, dated June 27, 1995, issued in the original aggregate principal amount of $2,000,000 (the "Series 1995 B Bonds");

WHEREAS, the Issuer has determined that it is in the best interests of the inhabitants of the City of Salem and other users of the System to currently refund its outstanding Series 1995 B Bonds;

WHEREAS, the Issuer has determined that the aforementioned refunding of the Series 1995 B Bonds should be financed with the proceeds from the issuance of the City's Sewer Refunding Revenue Bonds, Series 2017 A, in the original aggregate principal amount of not more than $1,500,000 (the "Series 2017 A Bonds"), such Series 2017 A Bonds to be secured by and payable from the Net Revenues (as hereinafter defined) of the System; and

WHEREAS, under the provisions of the Act, the Issuer is authorized and empowered to acquire, construct and operate extensions, additions, betterments and improvements for the System, consisting of approximately 2,700 linear feet of 18-inch corrugated HDPE storm sewer line, 32 "Type A" storm inlets, 11 precast concrete culvert headwalls, 3 "Type A" storm manholes, 7 sanitary manholes, 1,750 linear feet of 8-inch PVC gravity sewer, 600 linear feet of 4-inch PVC gravity customer lateral, and all necessary appurtenances (collectively, the "Project") (the existing public sewer system of the Issuer, the Project and any further extensions, additions, betterments and improvements thereto are herein called the "System") in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer;

WHEREAS, the Issuer has determined, and does hereby affirm, that the acquisition and construction of certain extensions, additions, betterments and improvements to the System, is necessary, appropriate, useful and desirable for the health, safety, and welfare of the inhabitants of the City and surrounding areas;

WHEREAS, the Issuer has determined that the aforementioned acquisition and construction of extensions, additions, betterments and improvements to the System should be financed, as provided under the Act, in whole or in part, from the proceeds of revenue bonds to be issued by the Issuer, to pay all or any portion of the costs thereof, and to enact this Ordinance and issue its Sewer Revenue Bonds, Series 2017 B (Tax-Exempt) (the "Series 2017 B Bonds"), such Series 2017 B Bonds to be secured by and payable from the Net Revenues of the System, and containing such other terms and provisions as are hereinafter provided, all in the manner set forth herein;

WHEREAS, the Series 2017 A Bonds and Series 2017 B Bonds are collectively known as the "Series 2017 Bonds"; and

WHEREAS, the Issuer has determined and hereby determines that it is in the best interest of the residents of the City that its Series 2017 Bonds be sold to the Original Purchaser (as hereinafter defined) thereof pursuant to the terms and provisions of a bond purchase agreement (the "Bond Purchase Agreement") between the Issuer and the Original Purchaser.

NOW, THEREFORE, THE COUNCIL OF THE CITY OF SALEM HEREBY ORDAINS:

ARTICLE I

DEFINITIONS, STATUTORY AUTHORITY AND FINDINGS

Section 1.01. Definitions. All capitalized terms used in this Ordinance and not otherwise defined in the recitals hereto shall have the meanings specified below, unless the context expressly requires otherwise:

"Act" means Chapter 16, Article 13 of the West Virginia Code of 1931, as amended and in effect on the Closing Date for the Series 2017 Bonds.

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

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

"Bond Counsel" means any law firm having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds, appointed by the Issuer, and shall initially mean Steptoe & Johnson PLLC, Charleston, West Virginia.

"Bondholder," "Holder," "Holder of the Bonds," "Owner of the Bonds," "Registered Owner," or any similar term means any person who shall be the registered owner of any outstanding Bond.

"Bond Insurer" means any entity which shall insure all or any portion of the payment of principal of and interest on the Bonds, and with respect to the Series 2017 Bonds shall initially mean the bond insurer or bond insurers, if any, named in the Supplemental Resolution.

"Bond Purchase Agreement" means the Bond Purchase Agreement between the Issuer and the Original Purchaser relating to the sale and purchase of the Series 2017 Bonds.

"Bond Register" means the books of the Issuer maintained by the Registrar for the registration and transfer of the Series 2017 Bonds.

"Bonds" means, collectively, the Series 2017 Bonds, and any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained herein.

"Business Day" means any day other than a Saturday, Sunday or a day on which national banking associations, West Virginia banking corporations or the New York Stock Exchange are authorized by law to remain closed.

"Certificate of Authentication and Registration" means the Certificate of Authentication and Registration on the Series 2017 Bonds in substantially the forms set forth in EXHIBIT A-1 – FORM OF SERIES 2017 A BONDS and EXHIBIT A-2 – FORM OF SERIES 2017 B BONDS attached hereto.

"City" or "Issuer" means the City of Salem, a municipal corporation and political subdivision of the State of West Virginia, in Harrison County thereof, and, where appropriate, the Council, and any successor thereto.

"City Council" or "Council" means the City Council of the Issuer or any other governing body of the Issuer that succeeds to the functions of the Council as presently constituted.

"Closing Date" means the date upon which there is an exchange of the Bonds for the proceeds representing the original purchase price thereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and Regulations thereunder and such guidance with respect thereto as may be issued by the Internal Revenue Service or Department of the Treasury from time to time.

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

"Consulting Engineers" means E.L. Robinson, Charleston, West Virginia, or any independent qualified engineer or engineers or firm or firms of engineers that shall at any time now or hereafter be retained by the Issuer as Consulting Engineers for the System, or portion thereof.

"Continuing Disclosure Agreement" means the agreement delivered by the Issuer to disseminate annual financial information and material event disclosures as required by Rule 15c2-12.

"Costs" or similar terms means all those costs now or hereafter permitted by the Act to be financed with bonds issued pursuant hereto, including, without limitation those costs set forth in Section 1.02C.

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

"Depository Bank" means the bank or banks to be designated as such in the Supplemental Resolution, and any other bank or national banking association located in the State of West Virginia, eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC that may hereafter be appointed by the Issuer as Depository Bank.

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

"DTC-eligible" means, with respect to the Series 2017 Bonds, meeting the qualifications prescribed by DTC.

"Event of Default" means any occurrence or event specified in Section 7.01 hereof.

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

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

"Governing Body" means the City Council of the Issuer or any other governing body of the Issuer that succeeds to the functions of the City Council, as it may now or hereafter be constituted.

"Government Obligations" shall have the meaning set forth in the Supplemental Resolution.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System and includes investment income, connection fees, disconnections fees, System use charges and fees, and all other items of income which have been established as reasonably anticipated annual income of the System, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts, and includes any proceeds from the sale or other disposition of capital assets, but does not include any increase in the value of capital assets (including Qualified Investments).

"Independent Certified Public Accountant" means the West Virginia State Tax Department or any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the Issuer to prepare an independent annual or special audit of the accounts of the System or for any purpose except keeping the accounts of said System in the normal operations of its business and affairs.

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract, investment-type property or residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes other than specified private activity bonds as defined in Section 57(a)(5)(C) of the Code.

"Maximum Annual Debt Service" means, at the time of computation, the greatest amount of Debt Service required to be paid on the Bonds for the then current or any succeeding Fiscal Year.

"Mayor" means the Mayor of the Issuer.

"Municipal Bond Insurance Policy" means the municipal bond insurance policy, if any, issued by the Bond Insurer simultaneously with the delivery of the Series 2017 Bonds insuring the timely payment of the principal of and interest on all or any of the Series 2017 Bonds in accordance with the terms thereof.

"Net Proceeds" means the face amount of the Series 2017 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, on such issue, and less proceeds deposited in the Series 2017 A Bonds Reserve Account and Series 2017 B Bonds Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2017 Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

"Net Revenues" means Gross Revenues less Operating Expenses.

"Nonpurpose Investment" means any Investment Property which is acquired with the gross proceeds of the Series 2017 Bonds and is not acquired in order to carry out the governmental purpose of the Series 2017 Bonds.

"Official Statement" means a document or set of documents prepared by an issuer of municipal securities or its representatives setting forth, among other matters, information concerning the Issuer of such municipal securities and the proposed issue of securities that is complete as of the date of delivery of the document or set of documents to the Original Purchaser.

"Operating Expenses" unless qualified, means the current expenses, paid or accrued, of repair, operation and maintenance of the System, and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses (other than those capitalized as part of the costs of any project relating to the acquisition or construction of additions, betterments or improvements for the System), supplies, labor, wages, the cost of materials and supplies used for current operations, fees and expenses of fiscal agents and of the Depository Bank, Registrar and

Paying Agent or Paying Agents, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles.

"Ordinance" or "Bond Ordinance" regardless of whether preceded by the article "the" or "this," means this Ordinance, as it may hereafter from time to time be amended or supplemented, by ordinance or by resolution.

"Original Purchaser" means Crews & Associates, Inc. or such other investment banking firm or firms, bank or banks or such other entity or entities as shall purchase the Series 2017 Bonds directly from the Issuer, as determined by the Supplemental Resolution.

"Outstanding" when used with reference to the Series 2017 Bonds and as of any particular date, describes all Bonds theretofore and thereupon being issued and delivered except (a) any Bond canceled by the registrar for such Bond at or prior to said date; (b) any Bond for the payment of which monies, equal to its principal amount, with interest to the date of maturity, shall be held in trust under this Ordinance and set aside for such payment (whether upon or prior to maturity); (c) any Bond deemed to have been paid as provided by Section 9.01 hereof; and (d) with respect to determining the number or percentage of Bondholders or Bonds for the purpose of consents, notices and the like, any Bond registered to the Issuer. Notwithstanding the foregoing, in the event that a Bond Insurer has paid principal of and/or interest on any Bond, such Bond shall be deemed to be Outstanding until such time as such Bond Insurer has been reimbursed in full.

"Paying Agent" means, initially, the West Virginia Municipal Bond Commission and any other paying agent for the Series 2017 Bonds which may be appointed by a resolution supplemental hereto, all in accordance with Section 8.12 hereof.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person or in any activity carried on by a person other than a natural person, excluding, however, use by a state or local governmental unit and use as a member of the general public.

"Project" means construction of extensions, additions, betterments and improvements for the System, consisting of approximately 2,700 linear feet of 18-inch corrugated HDPE storm sewer line, 32 "Type A" storm inlets, 11 precast concrete culvert headwalls, 3 "Type A" storm manholes, 7 sanitary manholes, 1,750 linear feet of 8-inch PVC gravity sewer, 600 linear feet of 4-inch PVC gravity customer lateral, and all necessary appurtenances.

"Purchase Price" for the purpose of computation of the Yield of the Series 2017 Bonds, has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the Series 2017 to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds of each maturity is sold or, if the Series 2017 Bonds are privately placed, the price paid by the first buyer of the Series 2017 Bonds or the acquisition cost of the first buyer. "Purchase Price," for purposes of computing Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds of the Series 2017 Bonds for acquisition thereof, or if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Series 2017 Bonds.

"Qualified Investments" means and includes any investment permitted to be made by a municipality, public service district or public corporation of the State pursuant to State Law, specifically including but not limited to Chapter 8, Article 13, Section 22 of the Code of West Virginia and the West Virginia "consolidated fund" managed by the West Virginia Board of Treasury Investments pursuant to Chapter 12, Article 6C of the Code of West Virginia.

"Rebate Fund" means the Rebate Fund established in Section 4.01 hereof.

"Record Date" means the date or dates which shall be so stated in the Series 2017 Bonds, regardless of whether such day is a Saturday, Sunday or legal holiday.

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

"Redemption Date" means the date fixed for redemption of Bonds subject to redemption in any notice of redemption published or mailed in accordance herewith.

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

"Registrar" means the bank to be designated in the Supplemental Resolution as the Registrar for the Series 2017 Bonds, and any successor thereto appointed in accordance with Section 8.08 hereof.

"Regulations" means temporary and permanent regulations promulgated under the Code, and includes applicable regulations promulgated under the Internal Revenue Code of 1986 as amended.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund created by the Section 4.01 hereof.

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

"Rule 15c2-12" means Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended.

"Series 1995 B Bonds" means the Issuer's Sewer Revenue Bonds, Series 1995 B, dated June 27, 1995, issued in the original aggregate principal amount of $2,000,000 and held by the United States Department of Agriculture.

"Series 1995 B Bonds Ordinance" means collectively the ordinance and resolutions authorizing the Series 1995 B Bonds.

"Series 2017 Bonds Costs of Issuance Fund" means the Series 2017 Bonds Costs of Issuance Fund created by Section 4.01 hereof.

"Series 2017 Bonds Construction Fund" means the Series 2017 Bonds Construction Fund created by Section 4.01 hereof.

"Series 2017 A Bonds" means the Sewer Refunding Revenue Bonds, Series 2017 A, of the Issuer, originally authorized to be issued pursuant to this Ordinance and the Supplemental Resolution.

"Series 2017 A Bonds Redemption Account" means the Series 2017 A Bonds Redemption Account established in the Series 2017 A Bonds Sinking Fund pursuant to Section 4.02 hereof.

"Series 2017 A Bonds Reserve Account" means the Series 2017 A Bonds Reserve Account established in the Series 2017 A Bonds Sinking Fund pursuant to Section 4.02 hereof.

"Series 2017 A Bonds Reserve Account Requirement" means an amount equal to the lesser of (i) 10% of the original principal amount of the Series 2017 A Bonds, (ii) Maximum Annual Debt Service at the time of original issuance of the Series 2017 A Bonds, or (iii) 125% of average annual Debt Service at the time of original issuance of the Series 2017 A Bonds.

"Series 2017 A Bonds Sinking Fund" means the Series 2017 A Bonds Sinking Fund established by Section 4.02 hereof.

"Series 2017 B Bonds" means the Sewer Revenue Bonds, Series 2017 B (Tax Exempt), of the Issuer, originally authorized to be issued pursuant to this Ordinance and the Supplemental Resolution.

"Series 2017 B Bonds Redemption Account" means the Redemption Account created by Section 4.02 hereof.

"Series 2017 B Bonds Reserve Account" means the Series 2017 B Bonds Reserve Account created in the Series 2017 B Bonds Sinking Fund by Section 4.02 hereof.

"Series 2017 B Bonds Reserve Account Requirement" means an amount equal to the lesser of (i) 10% of the original principal amount of the Series 2017 B Bonds, (ii) Maximum Annual Debt Service at the time of original issuance of the Series 2017 B Bonds, or (iii) 125% of average annual Debt Service at the time of original issuance of the Series 2017 B Bonds.

"Series 2017 B Bonds Sinking Fund" means the Series 2017 B Bonds Sinking Fund created by Section 4.02 hereof.

"Sinking Funds" means, collectively, the respective Sinking Funds established for the Series 2017 Bonds.

"State" means the State of West Virginia.

"Supplemental Resolution" means any ordinance or resolution amendatory hereof or supplemental hereto and, when preceded by the article "the," refers specifically to the Supplemental Resolution or Resolutions to be adopted by the Issuer following enactment of this Ordinance, setting forth the final amounts, maturities, interest rates, redemption provisions, Original Purchaser, Bond Purchase Agreement, Bond Insurer provisions (if any) and other terms of the Series 2017 Bonds and authorizing the sale of the Series 2017 Bonds to the Original Purchaser; provided, that any provision intended to be

included in the Supplemental Resolution and not so included may be contained in any other Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Ordinance to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, including, without limitation, the funds and accounts established for the Series 2017 Bonds.

"System" means the complete existing sewerage system of the Issuer, as presently existing in its entirety or any integral part thereof and shall include the Project and shall include any additions, betterments and improvements thereto hereafter acquired or constructed for said sewage system from any sources whatsoever, both within and without the Issuer.

"Tax Certificate" means the Issuer's Tax Certificate dated as of the date of issuance of the Series 2017 Bonds, as the same may be amended or supplemented in accordance with the provisions thereof.

"Term Bonds" means Bonds subject to mandatory sinking fund redemption, as described by Section 3.06 hereof.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations and vice versa; and words importing the masculine gender shall include the feminine and neuter genders and vice versa.

Additional terms and phrases are defined in this Ordinance as they are used. Accounting terms not specifically defined herein shall be given meaning in accordance with generally accepted accounting principles.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Ordinance; and the term "hereafter" means after the date of enactment of this Ordinance.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Ordinance so numbered.

Section 1.02. Authority for this Ordinance. This Ordinance is enacted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.03. Findings. The Council hereby finds and determines as follows:

A. The Issuer is a municipal corporation and political subdivision of the State of West Virginia in Harrison County of said State.

B. The Issuer presently owns and operates a public sewer system. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer, and for the improvement of the water environment of the Issuer, that there be acquired and constructed certain extensions, additions, betterments and improvements to the sewer system of the Issuer, consisting of the Project, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. It is deemed necessary for the Issuer to issue its (i) Sewer Refunding Revenue Bonds, Series 2017 A (Tax Exempt) and (ii) Sewer Revenue Bonds, Series 2017 B (Tax Exempt), in the aggregate principal amount of not more than $4,000,000 to (i) currently refund the Series 1995 B Bonds; (ii) permanently finance the costs of acquisition and construction of the Project; (iii) fund the Series 2017 A Bonds Reserve Account; (iv) fund the Series 2017 B Bonds Reserve Account; and (v) pay certain costs of issuance. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 2017 Bonds prior to and during acquisition or construction and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Series 2017 A Bonds Reserve Account or Series 2017 B Bonds Reserve Account; underwriter's discount, engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise; administrative expense; commitment fees; premiums for municipal bond insurance, reserve account insurance or reserve account surety bonds; letter of credit fees; discount; initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2017 Bonds and such other expenses as may be necessary or incidental to the financing herein authorized; the acquisition and construction of the Project and the placing of same in operation; and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2017 Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

D. The period of usefulness of the System after completion of the Project is not less than 20 years.

E. It is in the best interests of the Issuer that the Series 2017 Bonds be sold to the Original Purchaser pursuant to the terms and provisions of a bond purchase agreement to be entered into by and between the Issuer and the Original Purchaser (the "Bond Purchase Agreement"), as shall be approved by the Supplemental Resolution of the Issuer.

F. There are no outstanding obligations which will rank on a parity with the Series 2017 Bonds as to liens, pledge, source of and security for payment.

G. The Issuer intends to issue the Series 2017 Bonds and to pledge for payment thereof, the Net Revenues of the System, on a parity with each other.

H. The estimated revenues to be derived in each year after the date hereof from the operation of the System will be sufficient, to provide for the repair, maintenance and operation of the System, the payment of interest upon the Series 2017 Bonds and to create sinking funds, as hereinafter provided, to pay the principal on the Series 2017 Bonds as and when it becomes due and reasonable reserves therefor, to provide an adequate renewal and replacement fund, as hereinafter provided, and to make all other payments provided for in this Ordinance.

I. It is in the best interests of the Issuer, and the residents thereof, that the Issuer issue the Series 2017 Bonds, and secure the Series 2017 Bonds by a pledge and assignment of the Net Revenues derived from the operation of the System, the monies in the Series 2017 A Bonds Reserve Account, Series 2017 B Bonds Reserve Account, unexpended proceeds of the Series 2017 Bonds and as further set forth herein.

J. The Series 2017 Bonds and the Certificates of Authentication and Registration to be endorsed thereon are to be in substantially the forms set forth in EXHIBIT A-1 – FORM OF SERIES 2017 A BONDS AND EXHIBIT A-2 – FORM OF SERIES 2017 B BONDS attached hereto and incorporated herein by reference, with necessary and appropriate variations, omissions and insertions as permitted or required by this Ordinance or a Supplemental Resolution or as deemed necessary by the Registrar or the Issuer.

K. All things necessary to make the Series 2017 Bonds, when authenticated by the Registrar and issued as in this Ordinance provided, the valid, binding and legal special obligations of the Issuer according to the import thereof, and to validly pledge and assign those funds pledged hereby to the payment of the principal of and interest on the Series 2017 Bonds, will be timely done and duly performed.

L. The enactment of this Ordinance, the execution and issuance of the Series 2017 Bonds, subject to the terms thereof, will not result in any breach of, or constitute a default under, any instrument to which the Issuer is a party or by which it may be bound or affected.

M. Pursuant to the Act, the Issuer has heretofore established a Sanitary Board and the Sanitary Board has petitioned the Issuer to issue the Series 2017 Bonds for the purposes set forth herein.

N. The Issuer has complied with all requirements of West Virginia law relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Series 2017 Bonds, or will have so complied prior to issuance of any thereof.

Section 1.04. Ordinance Constitutes Contract. In consideration of the acceptance of the Series 2017 Bonds by those who shall own or hold the same from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the legal Holders of any and all of such Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bond, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

ARTICLE II

AUTHORIZATION OF REFUNDING AND ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Refunding. All Series 1995 B Bonds Outstanding as of the date of issuance of the Series 2017 A Bonds and all unpaid interest accrued thereon, if any, are hereby ordered to be refunded and paid in full and the pledge of Net Revenues in favor of the Registered Owners of the Series 1995 B Bonds imposed by the Series 1995 B Bonds Ordinance authorizing the issuance of the Series 1995 B Bonds, the monies in the funds and accounts created by the Series 1995 B Bonds Ordinances pledged to payment of the Series 1995 B Bonds, and any other funds pledged by the Series 1995 B Bonds Ordinance to payment of the Series 1995 B Bonds are hereby ordered terminated, discharged and released upon such payment to the Registered Owners of the Series 1995 B Bonds. Contemporaneously with the payment in full of the Series 1995 B Bonds, the amounts on deposit in the

sinking fund, and all other funds and accounts created and maintained on behalf of the Series 1995 B Bonds, shall be released from the lien created by the Series 1995 B Bonds Ordinance authorizing the issuance of the Series 1995 B Bonds.

Section 2.02. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of not more than $2,500,000. The proceeds of the Series 2017 B Bonds hereby authorized shall be applied as provided herein. The Series 2017 B Bonds are hereby authorized, to be issued in one or more series, in the aggregate principal amount of not more than $2,500,000.

ARTICLE III

THE SERIES 2017 BONDS

Section 3.01. Form and Payment of Bonds. No Series 2017 Bond shall be issued pursuant to this Ordinance except as provided in this Article III. Any Series 2017 Bonds issued pursuant to this Ordinance may be issued only as fully registered Series 2017 Bonds, in the denomination of $5,000 or any integral multiple thereof for any year of maturity. All Series 2017 Bonds shall be dated as of the date provided in a Supplemental Resolution applicable to such series. All Series 2017 Bonds shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Series 2017 Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Series 2017 Bonds shall be in default, Bonds issued in exchange for Series 2017 Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Series 2017 Bonds surrendered.

The principal of and the premium, if any, on the Series 2017 Bonds shall be payable in any coin or currency which, on the respective date of such payment, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender at the principal office of the Paying Agent. Interest on the Series 2017 Bonds shall be paid by check or draft made payable and mailed to the Holder thereof at his address as it appears in the Bond Register at the close of business on the Record Date, or, if requested, in the case of a Registered Owner of $1,000,000 or more of the Series 2017 Bonds, by wire transfer to a domestic bank account specified in writing at least 5 days prior to such interest payment date by such Registered Owner.

In the event any Series 2017 Bonds are redeemed in part, such bond shall be surrendered to and canceled by the Registrar, and the Issuer shall execute, and the Registrar shall authenticate and deliver to the Holder thereof, another Series 2017 Bond in the principal amount of said Series 2017 Bond then Outstanding.

Section 3.02. Execution of Bonds. The Series 2017 Bonds shall be executed in the name of the Issuer by the Mayor, by his manual or facsimile signature, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Recorder by his or her manual or facsimile signature; provided, that, all such signatures and the seal may be by facsimile. In case any one or more of the officers who shall have signed or sealed any of the Series 2017 Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may

nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 2017 Bonds shall be signed and sealed on behalf of the City by such person as at the actual time of the execution of such Bonds shall hold the proper office in the City, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.03. Authentication and Registration. No Series 2017 Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Ordinance unless and until the Certificates of Authentication and Registration on such Series 2017 Bond, substantially in the form set forth in EXHIBIT A-1 – FORM OF SERIES 2017 A BONDS AND EXHIBIT A-2 – FORM OF SERIES 2017 B BONDS attached hereto and incorporated herein by reference with respect to the Series 2017 Bonds, shall have been duly manually executed by the Registrar. Any such manually executed Certificate of Authentication and Registration upon any such Series 2017 Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Ordinance. The Certificate of Authentication and Registration on any Series 2017 Bond shall be deemed to have been executed by the Registrar if signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Series 2017 Bonds issued hereunder.

Section 3.04. Negotiability and Registration. Subject to the requirements for transfer set forth below, the Series 2017 Bonds shall be, and have all of the qualities and incidents of, negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder, in accepting any of said Bonds, shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Series 2017 Bonds remain Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Series 2017 Bonds. The Series 2017 Bonds shall be transferable only by transfer of registration upon the Bond Register by the registered owner thereof in person or by his attorney or legal representative duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or such duly authorized attorney or legal representative. Upon transfer of a Series 2017 Bond, there shall be issued at the option of the Holder or the transferee another Bond or Bonds of the aggregate principal amount equal to the unpaid amount of the transferred Bond and of the same series, interest rate and maturity of said transferred Bond.

Upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar and duly executed by the registered owner or his attorney or legal representative duly authorized in writing, Series 2017 Bonds may at the option of the Holder thereof be exchanged for an equal aggregate principal amount of Bonds of the same series, maturity and interest rate, in any authorized denominations.

In all cases in which the privilege of transferring or exchanging a Series 2017 Bond is exercised, Bonds shall be delivered in accordance with the provisions of this Ordinance. All Series 2017 Bonds surrendered in any such transfer or exchange shall forthwith be canceled by the Registrar. Transfers of Series 2017 Bonds, the initial exchange of Bonds and exchanges of Bonds in the event of partial redemption of fully registered Bonds shall be made by the Registrar without charge to the Holder

or the transferee thereof, except as provided below. For other exchanges of Series 2017 Bonds, the Registrar may impose a service charge. For every such transfer or exchange of Series 2017 Bonds, the Registrar may make a charge sufficient to reimburse its office for any tax or other governmental charge required to be paid with respect to such transfer or exchange, and such tax or governmental charge, and such service charge for exchange other than the initial exchange or in the event of partial redemption, shall be paid by the person requesting such transfer or exchange as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Registrar shall not be obliged to make any such transfer or exchange of Series 2017 Bonds that have been called for redemption.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2017 Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may execute, in its discretion, and the Registrar shall authenticate, register and deliver any new Bond of like series, maturity and principal amount as the Bond, so mutilated, destroyed, stolen or lost, in exchange and upon surrender and cancellation of, such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing the Issuer and the Registrar proof of his ownership thereof and that said Bond has been destroyed, stolen or lost and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer or the Registrar may incur. The name of the Bondholder listed in the Bond Register shall constitute proof of ownership. All Series 2017 Bonds so surrendered shall be submitted to and canceled by the Registrar, and evidence of such cancellation shall be given to the Issuer. If such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer, by and through the Registrar, may pay the same, upon being indemnified as aforesaid, and, if such Bond be lost, stolen or destroyed, without surrender therefor.

Any such duplicate Bonds issued pursuant to this section shall constitute original, additional contractual obligations on the part of the Issuer, whether or not the lost, stolen or destroyed Bonds be at any time found by any one, and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien and source of and security for payment from the Revenues pledged herein with all other Bonds issued hereunder.

Section 3.06. Term Bonds. In the event Term Bonds are issued as part of the Series 2017 Bonds pursuant to this Ordinance, the following provisions shall apply:

1. The amounts to be deposited, apportioned and set apart by the Issuer from the Revenue Fund and into the Series 2017 A Bonds Redemption Account and Series 2017 B Bonds Redemption Account in accordance with Subsection 4.03(A)(1) shall include (after credit as provided below) on the first of each month, beginning on the first day of that month which is 12 months prior to the first mandatory redemption date of said Term Bonds, a sum equal to 1/12th of the amount (or, if the Series 2017 Bonds mature semiannually rather than annually, that month which is 6 months prior to the first mandatory redemption date of said Term Bonds, a sum equal to 1/6th of the amount) required to redeem the principal amount of such Term Bonds which are to be redeemed as of the next ensuing mandatory Redemption Date, which amounts and dates, if any, with respect to a series of Bonds shall be set forth in the Supplemental Resolution relating thereto.

2. At its option, to be exercised on or before the 60th day next preceding any such mandatory Redemption Date, the Issuer may (a) deliver to the Registrar for cancellation such Term Bonds in any aggregate principal amount desired or (b) receive a credit in respect of its mandatory redemption obligation for any such Term Bonds which prior to said date have been redeemed (otherwise than

pursuant to this section) and canceled by the Registrar and not theretofore applied as a credit against any such mandatory redemption obligation. Each Term Bond so delivered or previously redeemed shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and Term Bonds delivered in excess of such mandatory redemption obligation shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

3. The Issuer shall on or before the 60th day next preceding each mandatory Redemption Date furnish the Registrar and the Bond Commission with its certificate indicating whether and to what extent the provisions of (a) and (b) of the preceding paragraph are to be utilized with respect to such mandatory redemption payment and stating, in the case of the credit provided for in (b) of the preceding paragraph, that such credit has not theretofore been applied against any mandatory redemption obligation.

4. After said 60th day but prior to the date on which the Registrar selects the Term Bonds to be redeemed, the Bond Commission may use the monies in the Series 2017 A Bonds Redemption Account and Series 2017 B Bonds Redemption Account to purchase Term Bonds at a price less than the par value thereof and accrued interest thereon. The Bond Commission shall advise the Issuer and the Registrar of any Term Bonds so purchased, and they shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and any excess shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

5. A. The Registrar shall call for redemption, in the manner provided herein, an aggregate principal amount of such Term Bonds, at the principal amount thereof plus interest accrued to the Redemption Date (interest to be paid from the Series 2017 A Bonds Sinking Fund), as will exhaust as nearly as practicable such Series 2017 A Bonds Redemption Account payment designated to be made in accordance with paragraph (A)(1) of this section. Such redemption shall be by random selection made on the 45th day preceding the mandatory Redemption Date, in such manner as may be determined by the Registrar. For purposes of this section, "Term Bonds" shall include any portion of a fully registered Term Bond, in integrals of $5,000.

B. The Registrar shall call for redemption, in the manner provided herein, an aggregate principal amount of such Term Bonds, at the principal amount thereof plus interest accrued to the Redemption Date (interest to be paid from the Series 2017 B Bonds Sinking Fund), as will exhaust as nearly as practicable such Series 2017 B Bonds Redemption Account payment designated to be made in accordance with paragraph (A)(1) of this section. Such redemption shall be by random selection made on the 45th day preceding the mandatory Redemption Date, in such manner as may be determined by the Registrar. For purposes of this section, "Term Bonds" shall include any portion of a fully registered Term Bond, in integrals of $5,000.

Section 3.07. Notice of Redemption. Unless waived by any Holder of the Series 2017 Bonds to be redeemed, official notice of any redemption shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the applicable Bond Insurer, if any, the Original Purchaser, and the registered owner of the Series 2017 Bond or Bonds to be redeemed at the

address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

So long as DTC (as CEDE & CO.) is the registered Owner of the Series 2017 Bonds, the Registrar shall send all notices of redemption to DTC and shall verify that DTC has received notice.

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

(1) The Redemption Date,

(2) The Redemption Price,

(3) If less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,

(4) That on the Redemption Date the Redemption Price and interest accrued will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date,

(5) The place where such Bonds are to be surrendered for payment of the Redemption Price, which place of payment shall be the principal office of the Registrar, and

(6) Such other information, if any, as shall be required for DTC-Eligible Bonds.

If funds sufficient to redeem all Series 2017 Bonds called for optional redemption have not been deposited with the Paying Agent at the time of mailing any notice of optional redemption, such notice shall also state that such optional redemption is subject to the deposit of such monies with the Paying Agent on or before the Redemption Date. If such monies are not so deposited, the Registrar shall notify all holders of Series 2017 Bonds called for redemption of such fact.

Official notice of redemption having been given as aforesaid, the Series 2017 Bonds, or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Series 2017 Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the Redemption Price. Installments of interest due on or prior to the Redemption Date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of the same maturity in the amount of the unpaid principal of such Bond. All Series 2017 Bonds which have been redeemed shall be canceled and destroyed by the Bond Registrar and shall not be reissued.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of Series 2017 Bonds, and failure to mail such notice shall not affect the validity of proceedings for the redemption of any portion of Bonds for which there was no such failure.

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

Section 3.09. Temporary Bonds. Until Bonds of any series in definitive form are ready for delivery, the Issuer may execute and the Registrar shall authenticate, register, if applicable, and deliver, subject to the same provisions, limitations and conditions set forth in this Article III, one or more printed, lithographed or typewritten Bonds in temporary form, substantially in the form of the definitive Bonds of such series, with appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the lien and benefit created under this Ordinance. Upon the presentation and surrender of any Bond or Bonds in temporary form, the Issuer shall, without unreasonable delay, prepare, execute and deliver to the Registrar, and the Registrar shall authenticate, register, if applicable, and deliver, in exchange therefor, a Bond or Bonds in definitive form. Such exchange shall be made by the Registrar without making any charge therefor to the Holder of such Bond in temporary form.

Section 3.10. Series 2017 Bonds. A. For the purposes of paying in full the entire outstanding principal of and all accrued interest on the Series 1995 B Bonds (along with other funds of the Issuer available therefor), paying the premium for a Municipal Bond Insurance Policy for the Series 2017 A Bonds, if determined to be financially advantageous to the Issuer, funding the Series 2017 A Bonds Reserve Account (or paying the premium for a Municipal Bond Debt Service Reserve Insurance Policy, if determined to be financially advantageous to the Issuer) and paying costs of issuance of the Series 2017 A Bonds and related costs, there shall be issued the Series 2017 A Bonds of the Issuer, in one or more series, in an aggregate principal amount of not more than $1,500,000 The Series 2017 A Bonds shall be designated the "City of Salem (West Virginia) Sewer Refunding Revenue Bonds, Series 2017 A (Tax-Exempt)" and shall be issued in fully registered form, in denominations of $5,000 or any integral multiple thereof for any year of maturity (or such other denominations as may be set forth in the Supplemental Resolution), not exceeding the aggregate principal amount of Series 2017 A Bonds maturing in the year of maturity for which the denomination is to be specified. The Series 2017 A Bonds shall be numbered from AR-1 consecutively upward. The Series 2017 A Bonds shall be dated; shall be in such aggregate principal amount; shall bear interest at such rate or rates, not exceeding the then legally permissible rate, payable semiannually on such dates; shall mature on such dates and in such amounts; shall be subject to such mandatory and optional redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein and in the Supplemental Resolution.

B. For the purposes of paying the costs of acquisition and construction of the Project, paying capitalized interest, if any, funding the Series 2017 B Bonds Reserve Account and paying costs in connection therewith, there shall be issued the Series 2017 B Bonds of the Issuer, in one or more series, in an aggregate principal amount of not more than $2,500,000. Said Series 2017 B Bonds shall be designated "Sewer Revenue Bonds, Series 2017 B (Tax Exempt)" or such other designation as may be appropriate for the year and sequence of the issue, as may be set forth in a Supplemental Resolution, and shall be issued in fully registered form, in the denomination of $5,000 or any integral multiple thereof for any period of maturity, not exceeding the aggregate principal amount of Series 2017 B Bonds maturing in the period of maturity for which the denomination is to be specified. The Series 2017 B Bonds shall be numbered from BR-1 consecutively upward. The Series 2017 B Bonds shall be dated; shall be in such aggregate principal amount (not to exceed $2,500,000); shall bear interest at such rate or rates, not

exceeding the then legally permissible rate (not to exceed 6.0%), payable semiannually on such dates; shall mature on such dates (which may be annual or semi-annual) (not to exceed 30 years) and in such amounts; shall be subject to such mandatory and optional redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein and in the Supplemental Resolution.

Section 3.11. Book Entry System for Series 2017 Bonds. A. The Series 2017 Bonds shall each initially be issued in the form of one fully-registered bond for the aggregate principal amount of the Series 2017 Bonds of each maturity, registered in the name of CEDE & CO., as nominee of DTC. Except as provided in Paragraph E below, all of the Series 2017 Bonds shall be registered in the registration books kept by the Registrar in the name of CEDE & CO., as nominee of DTC; provided, that if DTC shall request that the Series 2017 Bonds be registered in the name of a different nominee, the Registrar shall exchange all or any portion of the Series 2017 Bonds registered in the name of such nominee or nominees. No person other than DTC or its nominee shall be entitled to receive from the Issuer or the Registrar either a Series 2017 Bond or any other evidence of ownership of the Series 2017 Bonds, or any right to receive any payment in respect thereof unless DTC or its nominee shall transfer record ownership of all or any portion of the Series 2017 Bonds on the registration books maintained by the Registrar, in connection with discontinuing the book entry system as provided in Paragraph E below.

B. Prior to authorizing the publication of an Official Statement for the Series 2017 Bonds, the Issuer shall execute or signify its approval of a representation letter addressed to DTC in a form satisfactory to DTC (the "Representation Letter").

C. So long as the Series 2017 Bonds or any portion thereof are registered in the name of DTC or any nominee thereof, all payments of the principal or Redemption Price of or interest on such Series 2017 Bonds shall be made to DTC or its nominee at the addresses set forth in the Representation Letter in New York Clearing House or equivalent next day funds on the dates provided for such payments to be made to any Bondholder under this Ordinance. Each such payment to DTC or its nominee shall be valid and effective to fully discharge all liability of the Issuer and the Registrar with respect to the principal or Redemption Price of or interest on the Series 2017 Bonds to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Series 2017 Bonds Outstanding of any maturity, the Registrar shall not require surrender by DTC of the Series 2017 Bonds so redeemed, but DTC may retain such Series 2017 Bonds and make an appropriate notation on the Series 2017 Bonds certificate as to the amount of such partial redemption; provided, that DTC shall deliver to the Registrar, upon request, a written confirmation of such partial redemption. The records maintained by the Registrar shall be conclusive as to the amount of the Series 2017 Bonds of such maturity which have been redeemed.

D. The Issuer, the Paying Agent and the Registrar may treat DTC as the sole and exclusive owner of the Series 2017 Bonds registered in its name or the name of its nominee for the purposes of payment of the principal or Redemption Price of or interest on the Series 2017 Bonds, selecting the Series 2017 Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Ordinance, registering the transfer of Series 2017 Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever; and neither the Issuer nor the Registrar shall be affected by any notice to the contrary. Neither the Issuer nor the Registrar shall have any responsibility or obligation to any direct or indirect participant in DTC, any person claiming a beneficial ownership interest in the Series 2017 Bonds under or through DTC or any such participant, or any other person which is not shown on the registration books of the Registrar as being a Bondholder with respect to (i) the Series 2017 Bonds, (ii) the accuracy of any records maintained

by DTC or any such participant, (iii) the payment by DTC or any such participant of any amount in respect of the principal or Redemption Price of or interest on the Series 2017 Bonds, (iv) any notice which is permitted or required to be given to Bondholders under this Ordinance, (v) the selection by DTC or any such participant of any person to receive payment in the event of a partial redemption of the Series 2017 Bonds, or (vi) any consent given or other action taken by DTC as Bondholder.

E. The book entry system for registration of the ownership of the Series 2017 Bonds may be discontinued at any time if either: (i) DTC determines to resign as securities depository for the Series 2017 Bonds; or (ii) the Issuer determines that continuation of the system of book entry transfers through DTC (or through a successor securities depository) is not in the best interest of the beneficial owners of the Series 2017 Bonds. In either of such events (unless in the case described in clause (iii) above, the Issuer appoints a successor securities depository), the Series 2017 Bonds shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Issuer or the Registrar for the accuracy of such designation. Whenever DTC requests the Issuer and the Registrar to do so, the Issuer and the Registrar shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Series 2017 Bonds.

Section 3.12. Delivery of Series 2017 Bonds. The Issuer shall execute and deliver the Series 2017 Bonds to the Registrar, and the Registrar shall authenticate, register and deliver the Series 2017 Bonds to the Original Purchaser upon receipt of the documents set forth below:

(1) If not registered in the name of DTC or its nominee, a list of the names in which the Series 2017 Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Registrar may reasonably require;

(2) A request and authorization to the Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2017 Bonds to DTC for the benefit of the Original Purchaser;

(3) Copies, certified by the Recorder, of this Ordinance and the Supplemental Resolution;

(4) The unqualified approving opinions upon the Series 2017 Bonds by Bond Counsel; and

(5) Such other opinions, certificates and documents as shall be reasonably requested by the Original Purchaser.

Section 3.13. Forms of Series 2017 Bonds. The definitive Series 2017 Bonds shall be in substantially the forms set forth in EXHIBIT A-1 – FORM OF SERIES 2017 A BONDS AND EXHIBIT A-2 FORM OF SERIES 2017 B BONDS attached hereto and incorporated herein by reference, with such necessary and appropriate omissions, insertions and variations as are approved by those officers executing such Series 2017 Bonds on behalf of the Issuer and execution thereof by such officers shall constitute conclusive evidence of such approval, and the definitive Series 2017 Bonds shall have the form of the opinion of Steptoe & Johnson PLLC, as Bond Counsel, attached thereto or printed on the reverse thereof.

Section 3.14. Disposition of Proceeds of Series 2017 Bonds. Upon the issuance and delivery of the Series 2017 Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

1. All interest accrued, if any, on the Series 2017 A Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2017 A Bonds Sinking Fund and applied to payment of interest on the Series 2017 A Bonds at the first interest payment date.

2. All interest accrued, if any, on the Series 2017 B Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2017 B Bonds Sinking Fund and applied to payment of interest on the Series 2017 B Bonds at the first interest payment date.

3. An amount of the proceeds of the Series 2017 A Bonds equal to the amount, if any, set forth in the Supplemental Resolution or related Certificate of Determinations shall be remitted to the Bond Commission for deposit in the Series 2017 A Bonds Reserve Account; provided, that to the extent the Series 2017 A Bonds Reserve Requirement is satisfied in whole or in part from a reserve account letter of credit, surety bond or other credit facility, proceeds of the Series 2017 A Bonds shall be deposited in the Series 2017 A Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2017 A Bonds Reserve Requirement.

4. An amount of the proceeds of the Series 2017 B Bonds equal to the amount, if any, set forth in the Supplemental Resolution or related Certificate of Determinations shall be remitted to the Bond Commission for deposit in the Series 2017 B Bonds Reserve Account; provided, that to the extent the Series 2017 B Bonds Reserve Requirement is satisfied in whole or in part from a reserve account letter of credit, surety bond or other credit facility, proceeds of the Series 2017 B Bonds shall be deposited in the Series 2017 B Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2017 B Bonds Reserve Requirement.

5. An amount of the proceeds of the Series 2017 A Bonds equal to the amount set forth in the Supplemental Resolution or related Certificate of Determinations, shall be remitted to the National Finance Office to pay the Series 1995 B Bonds.

6. The amount of Series 2017 A Bond and Series 2017 B Bond proceeds which, together with other monies or securities deposited therein shall be equal to the Costs of Issuance of the Series 2017 Bonds shall be deposited with the Depository Bank in the Series 2017 Bonds Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the Series 2017 Bonds at the written direction of the Issuer. Monies not to be applied immediately to pay such costs of issuance may be invested in accordance with this Ordinance, subject however, to applicable yield restrictions as may be in effect under the Code. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 120 days following the Closing Date for the Series 2017 Bonds, such unapplied proceeds shall be transferred by the Issuer to the Series 2017 Bonds Sinking Fund established in Section 4.01 hereof and applied to the next ensuing payment of interest on the Series 2017 Bonds. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such monies until so applied in favor of the Holders of the Series 2017 Bonds from which such proceeds are derived.

7. The balance of Series 2017 B Bonds proceeds, if any, shall be deposited in the Series 2017 Bonds Construction Fund and disbursed as provided in Section 3.15 hereof.

Section 3.15. Disbursements from the Series 2017 Bonds Construction Fund. Disbursements from the Series 2017 Bonds Construction Fund, except for payment of Costs of Issuance of the Series 2017 Bonds in excess of the monies available in the Costs of Issuance Fund which shall be made upon request of the Issuer, shall be made only for acquisition and construction of the Project, including all necessary engineering and other professional services relating thereto. Pending such application, monies in the Series 2017 Bonds Construction Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE IV

SYSTEM REVENUES; FUNDS AND ACCOUNTS

Section 4.01. Establishment of Funds and Accounts with Depository Bank. Pursuant to this Article IV, the following special funds are created with, and shall be held by, the Depository Bank, segregated from all other funds and accounts of the Depository Bank or the Issuer and from each other (except as set forth in this Section 4.01), and used solely for the purposes provided herein:

(1) Revenue Fund;

(2) Renewal and Replacement Fund;

(3) Series 2017 Costs of Issuance Fund;

(4) Rebate Fund; and

(5) Series 2017 Bonds Construction Fund.

Section 4.02. Establishment of Funds and Accounts with Bond Commission. The following special funds or accounts are hereby created with and shall be held by the Commission, separate and apart from all other funds or accounts of the Commission or the Issuer and from each other:

(1) Series 2017 A Bonds Sinking Fund;

(2) Series 2017 A Bonds Reserve Account;

(3) Series 2017 A Bonds Redemption Account;

(4) Series 2017 B Bonds Sinking Fund;

(5) Series 2017 B Bonds Redemption Account; and

(6) Series 2017 B Bonds Reserve Account.

Section 4.03. System Revenues and Application Thereof. So long as any of the Series 2017 Bonds shall be Outstanding and unpaid, the Issuer covenants as follows:

A. The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited by the Issuer in the Revenue Fund. The Revenue Fund shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. All Revenues at any time remaining on deposit in the Revenue Fund shall be disposed of only in the following manner and order of priority:

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

(2) The Issuer shall next, each month on or before the due date, transfer from the Revenue Fund and simultaneously remit to the Commission (i) beginning on the first day of that month which is 6 months prior to the first interest payment date on the Series 2017 A Bonds, apportion and set apart out of the Revenue Fund and deposit in the Series 2017 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 2017 A Bonds on the next ensuing semiannual interest payment date; provided, that in the event the period to elapse between the date of such initial deposit in the Series 2017 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date, and provided further, that the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2017 A Bonds Sinking Fund shall be reduced by the amount of accrued interest, if any, on the Series 2017 A Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2017 A Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2017 A Bonds Sinking Fund; and (ii) beginning on the first day of that month which is 6 months prior to the first interest payment date on the Series 2017 B Bonds, apportion and set apart out of the Revenue Fund and deposit in the Series 2017 B Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 2017 B Bonds on the next ensuing semiannual interest payment date; provided, that in the event the period to elapse between the date of such initial deposit in the Series 2017 B Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date, and provided further, that the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2017 B Bonds Sinking Fund shall be reduced by the amount of accrued interest, if any, on the Series 2017 B Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2017 B Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2017 B Bonds Sinking Fund.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) for deposit in the Series 2017 A Bonds Sinking Fund (and in the Series 2017 A Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed) on the first day of each month, beginning on the first day of that month which is 12 months prior to the first principal payment or mandatory Redemption Date of the Series 2017 A Bonds, a sum equal to 1/12th of the amount (or 1/6th of the amount if the Series 2017 A Bonds mature semiannually rather than annually) of principal which will mature or be redeemed and become due on the Series 2017 A Bonds on the next ensuing principal payment or mandatory Redemption Date; provided, that in the event the period to elapse between the date of such initial deposit in the Series 2017 A Bonds Sinking Fund and the next ensuing principal payment or mandatory Redemption Date is less than or greater than 12 months (or 6 months if the Series 2017 A Bonds mature semiannually rather than

annually), then such monthly payments shall be increased or decreased proportionately to provide, one month prior to the next ensuing principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2017 A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph; and (ii) for deposit in the Series 2017 B Bonds Sinking Fund (and in the Series 2017 B Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed) on the first day of each month, beginning on the first day of that month which is 12 months prior to the first principal payment or mandatory Redemption Date of the Series 2017 B Bonds, a sum equal to 1/12th of the amount (or 1/6th of the amount if the Series 2017 B Bonds mature semiannually rather than annually) of principal which will mature or be redeemed and become due on the Series 2017 B Bonds on the next ensuing principal payment or mandatory Redemption Date; provided, that in the event the period to elapse between the date of such initial deposit in the Series 2017 B Bonds Sinking Fund and the next ensuing principal payment or mandatory Redemption Date is less than or greater than 12 months (or 6 months if the Series 2017 B Bonds mature semiannually rather than annually), then such monthly payments shall be increased or decreased proportionately to provide, one month prior to the next ensuing principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2017 B Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) commencing 13 months prior to the first date of payment of principal of the Series 2017 A Bonds, if not fully funded upon issuance of the Series 2017 A Bonds, for deposit in the Series 2017 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2017 A Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 2017 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2017 A Bonds Reserve Requirement; provided further, that if the amounts in the Series 2017 A Bonds Reserve Account, as a result of a decrease in value of the Series 2017 A Bonds Reserve Account below the Series 2017 A Bonds Reserve Account Requirement or any withdrawal from the Series 2017 A Bonds Reserve Account, the Issuer shall apply such monies for deposit into the Series 2017 A Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 2017 A Bonds Reserve Account results in a determination that the amount of monies and the value of the Qualified Investments deposited to the credit of the Series 2017 A Bonds Reserve Account is less than the Series 2017 A Bonds Reserve Account Requirement, or (b) any amount is withdrawn from the Series 2017 A Bonds Reserve Account for deposit into the Series 2017 A Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of monies on deposit in the Series 2017 A Bonds Reserve Account to an amount equal to the Series 2017 A Bonds Reserve Account Requirement to the full extent that such Net Revenues are available; provided, however, that if the shortfall in the Series 2017 A Bonds Reserve Account is due to a decrease in the value of investments therein, such shortfall shall be replenished by not less than 4 equal monthly payments, and if such shortfall is due to a withdrawal from the Series 2017 A Bonds Reserve Account, such shortfall shall be replenished by not less than 12 equal monthly payments, and provided further, that no payments shall be required to be made into the Series 2017 A Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2017 A Reserve Account Requirement; and (ii) commencing 13 months prior to the first date of payment of principal of the Series 2017 B Bonds, if not fully funded upon issuance of the Series 2017 B Bonds, for deposit in the Series 2017 B Bonds Reserve Account, an amount equal to 1/120th of the Series 2017 B

Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 2017 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2017 B Bonds Reserve Requirement; provided further, that if the amounts in the Series 2017 B Bonds Reserve Account, as a result of a decrease in value of the Series 2017 B Bonds Reserve Account below the Series 2017 B Bonds Reserve Account Requirement or any withdrawal from the Series 2017 B Bonds Reserve Account, the Issuer shall apply such monies for deposit into the Series 2017 B Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 2017 B Bonds Reserve Account results in a determination that the amount of monies and the value of the Qualified Investments deposited to the credit of the Series 2017 B Bonds Reserve Account is less than the Series 2017 B Bonds Reserve Account Requirement, or (b) any amount is withdrawn from the Series 2017 B Bonds Reserve Account for deposit into the Series 2017 B Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of monies on deposit in the Series 2017 B Bonds Reserve Account to an amount equal to the Series 2017 B Bonds Reserve Account Requirement to the full extent that such Net Revenues are available; provided, however, that if the shortfall in the Series 2017 B Bonds Reserve Account is due to a decrease in the value of investments therein, such shortfall shall be replenished by not less than 4 equal monthly payments, and if such shortfall is due to a withdrawal from the Series 2017 B Bonds Reserve Account, such shortfall shall be replenished by not less than 12 equal monthly payments, and provided further, that no payments shall be required to be made into the Series 2017 B Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2017 B Reserve Account Requirement.

Amounts in the Series 2017 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2017 A Bonds when due, when amounts in the Series 2017 A Bonds Sinking Fund are insufficient therefor and for no other purpose.

Amounts in the Series 2017 B Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2017 B Bonds when due, when amounts in the Series 2017 B Bonds Sinking Fund are insufficient therefor and for no other purpose.

(5) The Issuer shall next, on the first day of each month, transfer from the monies remaining in the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, a sum equal to 2.5% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, or improvements or extensions to the System; provided, that any deficiency in any Reserve Account, except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of deficiency, funded such account to the maximum extent required hereof, shall promptly be eliminated with monies from the Renewal and Replacement Fund.

(6) Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove provided, are current and there remains in the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by the Act, such excess shall be

considered as surplus revenues (the "Surplus Revenues"). Surplus Revenues may be used for any lawful purpose of the System.

B. The Bond Commission is hereby designated as the fiscal agent for the administration of the Series 2017 A Bonds Sinking Fund and Series 2017 B Bonds Sinking Fund created hereunder, and all amounts required for said Sinking Funds shall be remitted to the Bond Commission from said Revenue Fund and from the proceeds of the sale of the Series 2017 Bonds, by the Issuer at the times and as otherwise provided herein. All remittances made by the Issuer to the Bond Commission shall clearly identify the fund or account into which each amount is to be deposited.

C. The monies on deposit in the Revenue Fund and the Renewal and Replacement Fund in excess of the sum insured by the FDIC shall at all times be secured, to the full extent thereof in excess of such insured sum, by Government Obligations or by other Qualified Investments as shall be eligible as security for deposits of municipal funds under the laws of the State.

ARTICLE V

INVESTMENTS; NON-ARBITRAGE; REBATES AND CONTINUING DISCLOSURE

Section 5.01. Investments. The Issuer shall invest and reinvest, and shall instruct the Bond Commission and the Depository Bank to invest and reinvest, any monies held as a part of the funds and accounts created by this Ordinance in Qualified Investments to the fullest extent possible under applicable laws, this Ordinance, the need for such monies for the purposes set forth herein and the specific restrictions and provisions set forth in this section.

Except as provided below, any investment shall be held in and at all times deemed a part of the fund or account in which such monies were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The Issuer shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Issuer may make any and all investments permitted by this section through the bond department of the Depository Bank. The Depository Bank shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The following specific provisions shall apply with respect to any investments made under this section (unless otherwise required by the Bond Insurer, if any, and as set forth in the Supplemental Resolution):

(A) Qualified Investments acquired for the Series 2017 A Bonds Reserve Account and Series 2017 B Bonds Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 5 years from the date of such investment.

(B) The Issuer shall, or shall cause the Bond Commission to, annually transfer from the Series 2017 A Bonds Reserve Account to the Series 2017 A Bonds Sinking Fund any earnings on the monies deposited therein and any other funds in excess of the Series 2017 A Bonds Reserve Requirement,

provided, however, that there shall at all times remain on deposit in the Series 2017 A Bonds Reserve Account an amount at least equal to the Series 2017 A Bonds Reserve Requirement.

The Issuer shall, or shall cause the Bond Commission to, annually transfer from the Series 2017 B Bonds Reserve Account to the Series 2017 B Bonds Sinking Fund any earnings on the monies deposited therein and any other funds in excess of the Series 2017 B Bonds Reserve Requirement, provided, however, that there shall at all times remain on deposit in the Series 2017 B Bonds Reserve Account an amount at least equal to the Series 2017 B Bonds Reserve Requirement.

(C) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the Series 2017 A Bonds Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2017 A Bonds Reserve Account shall, at any time, be less than the applicable Series 2017 A Bonds Reserve Requirement, the applicable Bond Insurer, if any, shall be notified immediately of such deficiency, and such deficiency shall be made up from the first available Net Revenues after required deposits to the Sinking Fund and otherwise in accordance with Section 4.03.

In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the Series 2017 B Bonds Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2017 B Bonds Reserve Account shall, at any time, be less than the applicable Series 2017 B Bonds Reserve Requirement, the applicable Bond Insurer, if any, shall be notified immediately of such deficiency, and such deficiency shall be made up from the first available Net Revenues after required deposits to the Sinking Fund and otherwise in accordance with Section 4.03.

(D) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the Series 2017 Bonds, as appropriate, and invested only in Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(E) Notwithstanding the foregoing, all monies deposited in the Series 2017 A Bonds Sinking Fund and Series 2017 B Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia Board of Treasury Investments pursuant to Chapter 12, Article 6C of the Code of West Virginia, 1931, as amended.

Section 5.02. Continuing Disclosure Agreement. The Issuer shall deliver a continuing disclosure agreement or certificate in form acceptable to the Original Purchaser, the form of which shall be approved by the Supplemental Resolution, sufficient to ensure compliance with Rule 15c2-12, as it may be amended from time to time, and the Issuer hereby instructs the Mayor and Recorder to take all actions necessary for the Issuer to comply with the continuing disclosure agreement.

Section 5.03. Arbitrage and Tax Exemption. The Issuer covenants that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Series 2017 Bonds which would cause the Series 2017 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Series 2017 Bonds)

so that the interest on the Series 2017 Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 5.04. Tax Certificate, Rebates, and Rebate Fund. The Issuer shall deliver a tax certificate or other similar certificate to be prepared by Bond Counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of any series of Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 2017 Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Ordinance.

Unless exempted therefrom, the Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. Upon completion of each such annual calculation, the Issuer shall deposit, or cause to be deposited, in the Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the Rebate Fund to equal the sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge hereunder and used only for payment of rebatable arbitrage to the United States. The Issuer shall pay, or cause to be paid, to the United States, from the Rebate Fund, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be in time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefore. The Issuer at its expense, may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer may deem appropriate in order to assure compliance with this Section 5.04. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 5.04 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and other amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes.

ARTICLE VI

ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01. Covenants Binding and Irrevocable. All the covenants, agreements and provisions of this Ordinance shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2017 Bonds, as prescribed by Article VII. In addition to the other covenants, agreements and provisions of this Ordinance, the Issuer hereby covenants and agrees with the Holders of the Series 2017 Bonds, as

hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2017 Bonds or the interest thereon, are Outstanding and unpaid.

Section 6.02. Bonds not to be Indebtedness of the Issuer. A. The Series 2017 A Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness but shall be payable solely from the Net Revenues of the System, the monies in the Series 2017 A Bonds Sinking Fund and all accounts therein, the unexpended proceeds of the Series 2017 A Bonds or money in the Series 2017 Bonds Construction Fund, if any, all as herein provided. No Holder or Holders of any Series 2017 A Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Series 2017 A Bonds or the interest thereon.

B. The Series 2017 B Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness but shall be payable solely from the Net Revenues of the System, the monies in the Series 2017 B Bonds Sinking Fund and all accounts therein, the unexpended proceeds of the Series 2017 B Bonds or money in the Series 2017 Bonds Construction Fund, if any, all as herein provided. No Holder or Holders of any Series 2017 B Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Series 2017 B Bonds or the interest thereon.

Section 6.03. Bonds Secured by Pledge of Net Revenues and Monies in Sinking Fund. The payment of the debt service of all of the Series 2017 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 Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Series 2017 A Bonds herein authorized, to make the payments into the Series 2017 A Bonds Sinking Fund, all monies and securities in the Series 2017 A Bonds Sinking Fund and the Series 2017 A Bonds Reserve Account, are hereby irrevocably pledged in the manner provided in this Ordinance to the payment of the principal of and interest on the Series 2017 A Bonds herein authorized as the same become due and for the other purposes provided in this Ordinance.

The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Series 2017 B Bonds herein authorized, to make the payments into the Series 2017 B Bonds Sinking Fund, all monies and securities in the Series 2017 B Bonds Sinking Fund and the Series 2017 B Bonds Reserve Account, are hereby irrevocably pledged in the manner provided in this Ordinance to the payment of the principal of and interest on the Series 2017 B Bonds herein authorized as the same become due and for the other purposes provided in this Ordinance.

Section 6.04. Rates. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal and the Issuer shall supply an opinion of counsel to such effect. Such rates and charges shall be sufficient to comply with the requirements of the Bond Purchase Agreement and the Issuer shall supply a certificate of Certified Public Accountant to such effect. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in the sewer rate ordinance of the Issuer enacted April 4, 2011, which rates are incorporated herein by reference as a part hereof.

So long as the Series 2017 Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Ordinance and in compliance with this Ordinance. In the event the schedule of rates and charges initially established for the System in connection with the Series 2017 Bonds shall prove to be insufficient to produce the required sums set forth in this Ordinance, the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Ordinance.

Prior to the issuance of the Series 2017 Bonds, rates or charges for the use of the services and facilities of the System will be fixed and established, all in the manner and form required by law, and a copy of such rates and charges so fixed and established shall at all times be kept on file in the office of the Recorder of the Issuer, which copy will be open to inspection by all interested parties. The schedule or schedules of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds and accounts created hereunder. Such schedule or schedules of rates and charges shall be revised from time to time, whenever necessary, so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that rates or charges from time to time in effect shall be sufficient, together with other revenues of the System, to provide a rate coverage sufficient, together with other revenues of the System, to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2017 Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with, or subordinate to, the Series 2017 Bonds.

The Issuer hereby covenants to commence enactment of such ordinance or ordinances as shall be required to increase the rates and charges for the services and facilities of the System within 90 days following a determination of the Independent Certified Public Accountant that less than the above-required coverage exists or in the event that the annual audit report shows less than the above-required coverage, such increase to provide rates and charges sufficient to produce such required coverage. The Issuer shall require that each annual audit contain a statement of the auditor that the Issuer is in or is not in compliance with the rate covenant in this Section 6.04.

Section 6.05. Completion of Project; Operation and Maintenance. The Issuer will complete the Project as promptly as possible. The Issuer will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of said System in the manner provided in this Ordinance.

The Issuer will obtain all permits required by state and federal laws for the acquisition and construction of the Project and the operation of the System.

Section 6.06. Sale of the System. So long as the Series 2017 Bonds are Outstanding, the System may be sold, mortgaged, leased or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to defease the pledge created by this Ordinance as provided by Section 9.01. The proceeds from such sale, mortgage, lease or other disposition

of the System shall be immediately remitted to the Bond Commission for deposit in the Series 2017 Bonds Sinking Fund, and otherwise as prescribed by Section 9.01. Any balance remaining after such defeasance shall be remitted to the Issuer by the Bond Commission unless necessary for the payment of other obligations of the Issuer payable out of the Net Revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor is not in excess of $500,000, the Issuer may provide for the sale of such property. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of $500,000 but not in excess of $1,000,000 the Issuer shall first, in writing, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Issuer may then, if it be so advised, by resolution duly adopted, approve and concur in such finding and authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds derived from any such sale, lease or other disposition of such property not in excess of $1,000,000, shall be deposited by the Issuer into the Renewal and Replacement Fund.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom shall be in excess of $1,000,000 and insufficient to defease the pledge created by this Ordinance, as provided by Section 9.01, without the prior approval and consent in writing of any applicable Bond Insurer, if any, and the Holders, or their duly authorized representatives, of 51% in amount of Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the Bond Insurer, if any, and the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 6.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. The Issuer shall not issue any other obligations whatsoever, except Additional Parity Bonds provided for in Section 6.08 hereof, payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from the Net Revenues with the Series 2017 Bonds; and all obligations hereafter issued by the Issuer payable from the revenues of the System, except such Additional Parity Bonds, shall contain an express statement that such obligations are junior and subordinate as to lien on and source of and security for payment from such revenues and in all other respects to the Series 2017 Bonds.

The Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or, except with respect to such Additional Parity Bonds, being on a parity with the lien of the Series 2017 Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Series 2017 Bonds and the interest thereon in this Ordinance or upon the System or any part thereof.

Section 6.08. Additional Parity Bonds. No such additional Parity Bonds shall be issued except for the purposes of financing the costs of the design, acquisition and construction of extensions, additions, betterments or improvements to the System, refunding all or a portion of one or more series of Bonds issued pursuant hereto, or to pay claims which may exist against the revenues or facilities of the System or all of such purposes.

So long as the Series 2017 Bonds are outstanding, no Parity Bonds shall be issued at any time, however, unless and until there has been procured a written statement by Independent Certified Public Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustment hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such additional Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall be not less than 115%, of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

(1) The Bonds then Outstanding;

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

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

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

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

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the 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 the 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 Ordinance with respect to the Bonds then Outstanding, and any other payments provided for in this Ordinance, shall have been made in full as required to the date of issuance of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Ordinance.

Provided, however, that if the most recent audit by an independent certified public accountant for the Issuer states that the Issuer was not in compliance with the rate covenant in Section 6.04 of this Ordinance for the year being audited and the Issuer has, as required by Section 6.04, sought a rate increase sufficient to comply with Section 6.04, such statement in the most recent audit shall not be considered a violation of the covenants, agreements and terms of this Ordinance, so as to prevent the Issuer from issuing additional Parity Bonds under this Section 6.08.

Section 6.09. Insurance and Bonds. The Issuer hereby covenants and agrees, that so long as the Series 2017 Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance and bonds and workers' compensation coverage with a reputable insurance carrier or carriers or bonding company or companies rated at least "A" by Standard & Poor's Corporation covering the following risks and in the following amounts:

A. FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the greater of the fair appraised value or the original cost thereof. In the event of any damage to or destruction of any portion of the System, the Issuer will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damages or destroyed portion. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the Issuer during construction of the Project in the full insurable value thereof.

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

C. WORKERS' COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT OR COMPLETION BONDS, such bonds to be in the amounts of not less than 100% of the amount of any construction contract and to be required of each contractor dealing directly with the Issuer and such payment bonds will be filed with the Clerk of the County Commission of Harrison County prior to commencement of construction of any additions, extensions or improvements for the System in compliance with West Virginia Code, Section 38-2-39.

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

E. BUSINESS INTERRUPTION INSURANCE, to the extent available at reasonable cost to the Issuer.

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

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

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

Section 6.10. No Free Services, Services Rendered to the Issuer. The Issuer will not render or cause to be rendered any free services of any nature by its System; and, in the event the Issuer or any department, agency, instrumentality, officer or employee thereof shall avail himself of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 6.11. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

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

been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 6.12. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 6.13. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Series 2017 Bond, shall have the right at all reasonable times to inspect the System, and all parts thereof, and all records, accounts and data of the Issuer relating thereto.

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

The Issuer shall file with the Original Purchaser and any Bond Insurer, and shall mail to any Bondholder requesting the same, an annual report within 30 days following the date of receipt of the final audit containing a balance sheet, statement of revenues, expenses, and changes in retained earnings, and statement of cash flows, as prescribed by generally accepted accounting principles.

The Issuer shall also file with the Original Purchaser and any Bond Insurer, and mail to any Bondholder requesting the same, a monthly unaudited report within 30 days following the end of each month containing the following:

(A) A statement of Gross Revenues, Operating Expenses, and Net Revenues derived from the System; and

(B) A statement of account balances in the Sinking Fund accounts provided for in this Ordinance and status of said funds.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by an Independent Accountant, shall mail upon request, and make available generally, the report of said Independent Certified Public Accountant, or a summary thereof, to any Holder or Holders of Series 2017 Bonds issued pursuant to this Ordinance and shall file said report with the Original Purchaser.

Section 6.14. Operating Budget. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, or at such earlier date required by the charter of the Issuer, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year. The Issuer shall make available such

budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Original Purchaser and to any Bondholder or anyone acting for and in behalf of such Bondholder who requests the same.

Section 6.15. Mandatory Connections. The mandatory use of the 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 6.16. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2017 Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon the issuance of the Series 2017 Bonds.

Section 6.17. Covenants Regarding the Municipal Bond Insurance Policy. The Issuer may obtain a Municipal Bond Insurance Policy for the Series 2017 Bonds. In the event such Municipal Bond Insurance Policy is obtained, certain additional covenants of the Issuer will be required by the Bond Insurer as a condition to insuring the Series 2017 Bonds. These additional covenants shall be set forth in full in the Supplemental Resolution, shall apply to the Series 2017 Bonds and any other Bonds which may be insured by such Bond Insurer, and shall be controlling in the event any other provisions of this Ordinance may be in conflict therewith.

Section 6.18. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 2017 Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 2017 Bonds during the term thereof is, under the terms of the Series 2017 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or

to be used for a Private Business Use; and (ii) and that, in the event that both (A) in excess of 5% of the Net Proceeds of the Series 2017 Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 2017 Bonds during the term thereof is, under the terms of the Series 2017 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 2017 Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the Project, or if the Series 2017 Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of that portion of the Project to which such Private Business Use is related, all of the foregoing to be determined in accordance with the Code.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Series 2017 Bonds or $5,000,000 are used, directly or indirectly, to make or finance a loan to persons other than state or local government units

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2017 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

D. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 2017 Bonds and the interest thereon, including without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take all actions that may be required of it so that the interest on the Series 2017 Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion. .

Section 6.19. Continuing Disclosures. In order to provide the written undertaking for the benefit of the owners of the Series 2017 Bonds required by the Securities and Exchange Commission Rule 15c2-12, the Issuer shall enter into a Continuing Disclosure Agreement in such form as may be approved by the Supplemental Resolution, and the Mayor are authorized and directed to execute and deliver such Continuing Disclosure Agreement on behalf of the Issuer, with such changes as the Mayor shall approve, such approval to be conclusively evidenced by the execution of such Agreement by the Mayor.

Section 6.20 Preliminary Official Statement; Official Statement. The distribution of the Preliminary Official Statement with respect to the Series 2017 Bonds shall be and the same is hereby approved. The form of the Preliminary Official Statement shall be in such form as may be approved by the Supplemental Resolution. The Mayor is hereby authorized and directed to execute and deliver a final official statement on behalf of the Issuer, which shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be required to reflect the terms of the sale of the Series 2017 Bonds and as the Mayor may approve (the "Official Statement"). The execution of the Official Statement by the Mayor shall be conclusive evidence of such approval. Copies of the Official Statement are hereby authorized to be prepared and furnished to the Original Purchaser for distribution.

Section 6.21. Designation of Series 2017 Bonds as "Qualified Tax-Exempt Obligations". The Issuer hereby designates the Series 2017 Bonds as "qualified tax-exempt obligations" for purposes of paragraph 3 of Section 265(b) of the Code and affirms that not more than $10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income tax purposes (excluding, however, obligations described in Section 265 (b)(3)(C)(ii) of the Code), have been or shall be issued by the Issuer or any entities subordinate to it, during the calendar year 2017, all as determined in accordance with the Code. For purposes of the paragraph and for the purposes of applying such Section 265(b)(3) of the Code, the Issuer and all entities which issue obligations on behalf of the Issuer shall be treated as one issuer; all obligations issued by a subordinate entity shall, for purposes of applying this paragraph and Section 265(b)(3) of the Code to each other entity to which such entity is subordinate, be treated and issued by such other entity; and an entity formed (or, to the extent provided by the Recorder, as set forth in the Code, availed of) to avoid the purposes of section 265(b)(3)(C) or (D) of the Code and all entities benefitting thereby shall be treated as one issuer.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2017 Bonds:

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

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part in this Ordinance or any Supplemental Resolution or in the Series 2017 Bonds contained, and such default shall have continued for a period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer by any Bondholder, beneficial owner of a Bond, or any Insurer; or

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

Section 7.02. Enforcement. Upon the happening and continuance of any Event of Default, any Bondholder or beneficial owner of a Bond (with the prior written consent of the applicable Bond Insurer) or any Bond Insurer may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular:

(A) Bring suit for any unpaid principal or interest then due;

(B) By mandamus or other appropriate proceeding enforce all rights of the Bondholders, including the right to require the Issuer to perform its duties under the Act and this Ordinance;

(C) Bring suit upon the Series 2017 Bonds, as applicable;

(D) By action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Bondholders; and

(E) By action or bill in equity enjoin any acts in violation of this Ordinance or the rights of the Bondholders.

No remedy by the terms of this Ordinance conferred upon or reserved to the Bondholders or beneficial owner of a Bond is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Bondholders or beneficial owner of a Bond hereunder or now or hereafter existing at law or by statute.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder by the Bondholders shall be made without the prior written consent of the applicable Bond Insurer or shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereto.

Section 7.03. Appointment of Receiver. If there be any Event of Default existing and continuing, any Bondholder, beneficial owner of a Bond or any Bond Insurer shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the principal of and interest on the Series 2017 Bonds, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other Revenues in conformity with the provisions of this Ordinance and the Act.

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

Whenever all that is due upon the Series 2017 Bonds issued pursuant to this Ordinance and interest thereon and under any covenants of this Ordinance for reserve, sinking or other funds and accounts and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Revenues of the System shall have been paid and made good, and all defaults under the provisions of this Ordinance shall have been cured and made good, and all monies due hereunder or under any Supplemental Resolution have been paid in full, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Bondholder or beneficial owner of the 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, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby and a successor receiver appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court

to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and the Holders of the Series 2017 Bonds issued pursuant to this Ordinance. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the Issuer and the Bondholders or beneficial owner of the Bonds, and the curing and making good of any default under the provisions of this Ordinance, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

Notwithstanding any other provision of this Ordinance, in determining whether the rights of the Bondholders or beneficial owner of the Bonds will be adversely affected by any action taken pursuant to the terms and provisions of this Ordinance, any trustee or Bondholder's committee shall consider the effect on the Bondholders or beneficial owner of the Bonds as if no Municipal Bond Insurance Policy were then in effect.

Section 7.04. Restoration of Issuer and Bondholder. In case any Bondholder shall have proceeded to enforce any right under this Ordinance by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Issuer and such Bondholder shall be restored to their former positions and rights hereunder, and all rights and remedies of such Bondholder shall continue as if no such proceedings had been taken.

ARTICLE VIII

REGISTRAR AND PAYING AGENT

Section 8.01. Appointment of Registrar. The Registrar for the Series 2017 Bonds shall be appointed pursuant to the Supplemental Resolution. The Issuer is hereby authorized and directed to enter into an agreement with the Registrar, the substantial form of which agreement is to be approved by Supplemental Resolution.

Section 8.02. Responsibilities of Registrar. The recitals of fact in the Bonds shall be taken as statements of the Issuer, and the Registrar shall not be responsible for their accuracy. The Registrar shall not be deemed to make any representation as to, and shall not incur any liability on account of, the validity of the execution of any Series 2017 Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication on the Series 2017 Bonds. The Registrar and any successor thereto shall agree to perform all the duties and responsibilities spelled out in this Ordinance and any other duties and responsibilities incident thereto, all as provided by said agreement described in Section 8.01.

Section 8.03. Evidence on Which Registrar May Act. Except as otherwise provided by Section 10.02, the Registrar shall be protected in acting upon any notice, resolution, request, consent,

order, certificate, opinion or other document believed by it to be genuine and to have been signed or presented by the proper party or parties. Whenever the Registrar shall deem it necessary or desirable that a fact or matter be proved or established prior to taking or suffering any action, such fact or matter, unless other evidence is specifically prescribed, may be deemed to be conclusively proved and established by a certificate of an Authorized Officer of the Issuer, but in its discretion the Registrar may instead accept other evidence of such fact or matter.

Section 8.04. Compensation and Expenses. The Issuer shall pay to the Registrar from time to time reasonable compensation for all services, including the transfer of registration of Series 2017 Bonds, the first exchange of Series 2017 Bonds and the exchange of Series 2017 Bonds in the event of partial redemption, incurred in the performance of its duties hereunder.

Section 8.05. Certain Permitted Acts. The Registrar may become the owner of or may deal in Series 2017 Bonds as fully and with the same rights it would have if it were not Registrar. To the extent permitted by law, the Registrar may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or effect or aid in any reorganization growing out of the enforcement of the Series 2017 Bonds, or this Ordinance, whether or not any such committee shall represent the Holders of a majority in principal amount of the Series 2017 Bonds Outstanding.

Section 8.06. Resignation of Registrar. The Registrar may at any time resign and be discharged of its duties and obligations under this Ordinance by giving not less than 60 days written notice to the Issuer and mailing such notice to each Bondholder, specifying the date when such resignation shall take effect, within 20 days after the giving of such written notice.. Such resignation shall take effect upon the day specified in such notice unless a successor shall have been previously appointed by the Issuer or bondholders, in which event such resignation shall take effect immediately, provided, that in no event shall such resignation take effect until a successor has been appointed and has accepted its duties as Registrar.

Section 8.07. Removal. The Registrar may be removed at any time by the Issuer, the applicable Bond Insurer or by the Holders of a majority in principal amount of the Series 2017 Bonds then Outstanding by an instrument or concurrent instruments in writing signed and duly acknowledged by the Issuer, the applicable Bond Insurer or by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer, as the case may be. Copies of each such instrument shall be delivered by the Issuer to the Registrar. Such removal shall take effect upon the date stated in such instrument, provided, that in no event shall such removal take effect until a successor has been appointed and has accepted its duties as Registrar.

Section 8.08. Appointment of Successor. In case at any time the Registrar shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Registrar or of its property shall be appointed, or if any public officer or court shall take charge or control of the Registrar or of its property or affairs, a successor may be appointed by the Holders of a majority in principal amount of the Series 2017 Bonds then Outstanding by an instrument or concurrent instruments in writing signed by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer and such successor Registrar, notification thereof being given to the predecessor Registrar. Pending such appointment, the Issuer shall forthwith appoint a Registrar to fill such vacancy until a successor Registrar shall be appointed by such Bondholders. The Issuer shall mail to each Bondholder notice of any such appointment within 20 days after the effective

date of such appointment. Any successor Registrar appointed by the Issuer shall, immediately and without further act, be superseded by a Registrar appointed by such Bondholders. If in a proper case no appointment of a successor Registrar shall be made within 45 days after the Registrar shall have given to the Issuer written notice of resignation or after the occurrence of any other event requiring such appointment, the Registrar or any Bondholder may apply to any court of competent jurisdiction to appoint a successor. Any Registrar appointed under the provisions of this section shall be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Ordinance.

Section 8.09. Transfer of Rights and Property to Successor. Any predecessor Registrar or Paying Agent shall pay over, assign and deliver any monies, books and records held by it to its successor.

Section 8.10. Merger or Consolidation. Any company into which the Registrar may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which the Registrar or any public officer or court may sell or transfer all or substantially all of its corporate trust business, shall be the successor to such Registrar without the execution or filing of any paper or the performance of any further act; provided, however, that such company shall be a bank, trust company or national banking association meeting the requirements set forth in Section 8.08.

Section 8.11. Adoption of Authentication. In case any of the Series 2017 Bonds shall have been authenticated but not delivered, any successor Registrar may adopt a Certificate of Authentication and Registration executed by any predecessor Registrar and deliver such Bonds so authenticated, and, in case any Bonds shall have been prepared but not authenticated, any successor Registrar may authenticate such Bonds in the name of the predecessor Registrar or in its own name.

Section 8.12. Paying Agent. The West Virginia Municipal Bond Commission shall initially serve as Paying Agent. Any alternate Paying Agent must be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Ordinance. Such alternate Paying Agent shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the Issuer a written acceptance thereof. Any successor Paying Agent shall take such actions as may be necessary to ensure that the Series 2017 Bonds shall be and remain DTC-Eligible.

Each Paying Agent shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by such Paying Agent in connection with such services solely from monies available therefor.

Any bank, trust company or national banking association with or into which any Paying Agent may be merged or consolidated, or to which the assets and business of such Paying Agent may be sold, shall be deemed the successor of such Paying Agent for the purposes of this Ordinance. If the position of Paying Agent shall become vacant for any reason, the Issuer shall, within 30 days thereafter, appoint a bank, trust company or national banking association located in the same city as such Paying Agent to fill such vacancy; provided, however, that, if the Issuer shall fail to appoint such Paying Agent within said period, the Bond Commission, a court of competent jurisdiction or a majority of the Bondholders may make such appointment.

The Paying Agents shall enjoy the same protective provisions in the performance of their duties hereunder as are specified in this Article VIII with respect to the Registrar, insofar as such provisions may be applicable.

Notice of the appointment of successor or additional Paying Agents or fiscal agents shall be given in the same manner as provided by Section 8.08 hereof with respect to the appointment of a successor Registrar.

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

ARTICLE IX

DEFEASANCE; DISCHARGE OF PLEDGE OF ORDINANCE

Section 9.01. Defeasance; Discharge of Pledge of Ordinance. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 2017 Bonds the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Ordinance, and all other monies due hereunder have been paid, then this Ordinance and the pledges of the Net Revenues and other monies and securities pledged hereunder, and all covenants, agreements and other obligations of the Issuer on behalf of the Holders of the Series 2017 Bonds made hereunder, as applicable, shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with the monies, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on such Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 2017 Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Bond Commission or an escrow trustee either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with the monies, if any, deposited with the Bond Commission or said escrow trustee at the same or earlier time shall be sufficient, to pay when due the principal of, any redemption premium on and interest due and to become due on said Bonds on and prior to the maturity date thereof, or if the Issuer irrevocably determines to redeem any of said Bonds prior to the maturity thereof, on and prior to said Redemption Date. Neither securities nor monies deposited with the Bond Commission or an escrow trustee pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on said Bonds; provided, that any cash received from such principal, redemption premium, if any, and interest payments on such securities deposited with the Bond Commission or said escrow trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of and redemption premium, if any, and interest to become due on said Bonds on and prior to such maturity or Redemption Dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Bond Commission or said escrow trustee, free and clear of any trust, lien or pledge.

ARTICLE X

MISCELLANEOUS

Section 10.01. Amendment of Ordinance. Prior to issuance of the Series 2017 Bonds, this Ordinance may be amended, modified or supplemented in any way by the Supplemental Resolution. All provisions required by the Bond Insurer, if any, shall be set forth in the Supplemental Resolution and to the extent they constitute an amendment or modification of this Ordinance, shall be controlling. Following issuance of the Series 2017 Bonds, this Ordinance and any Supplemental Resolution may, without the consent of any Bondholder or other person, be amended, modified or supplemented in any manner which, in the opinion of Bond Counsel, does not materially adversely affect the interests of the Bondholders or any Bond Insurer; provided, that in the event any of the Bonds are insured, no such amendment or modification which affects the rights of the applicable Bond Insurer for such Bonds may be made without the written consent of such Bond Insurer. Otherwise, no materially adverse amendment or modification to this Ordinance, or of any Supplemental Resolution, may be made without the written consent of the Holders of 60% in aggregate principal amount of the Series 2017 Bonds then Outstanding and affected thereby and the Bond Insurer, if any, which must be filed with the Recorder of the Issuer before any such modification or amendment may be made. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Bond without the express written consent of the Holder of such Bond, nor reduce the percentage of Series 2017 Bonds required for consent to any such modification or amendment.

Section 10.02. Evidence of Signatures of Bondholders and Ownership of Bonds. Any request, consent, revocation of consent or other instrument which this Ordinance may require or permit to be signed and executed by Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys duly authorized in writing. Proof of the execution of any such instrument, or of an instrument appointing or authorizing any such attorney, shall be sufficient for any purpose of this Ordinance if made in the following manner, or in any other manner satisfactory to the Issuer or the Registrar, as the case may be, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

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

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

C. The amount of fully registered Series 2017 Bonds held by a person executing any instrument as a Bondholder, the date of his holding such Series 2017 Bonds and the numbers and other identification thereof, shall be confirmed by the Bond Register.

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

Section 10.03. Preservation and Inspection of Documents. To the extent allowable under law, all reports, certificates, statements and other documents received by the Registrar under the provisions of this Ordinance shall be retained in its possession and shall be available at all reasonable times for the inspection of the Issuer or any Bondholder, and their agents and their representatives, but any such reports, certificates, statements or other documents may, at the election of the Registrar, be destroyed or otherwise disposed of at any time after such date as the pledge created by this Ordinance shall be discharged as provided in Section 9.01.

Section 10.04. Cancellation of Bonds. All Series 2017 Bonds purchased or paid shall, if surrendered to the Issuer, be canceled and delivered to the Registrar, or, if surrendered to the Registrar, be canceled by it. No such Bonds shall be deemed Outstanding under this Ordinance and no Series 2017 Bonds shall be issued in lieu thereof. All such Bonds shall be canceled and upon order of the Issuer shall be destroyed, and a certificate evidencing such destruction shall be delivered to the Issuer.

Section 10.05. Failure to Present Bonds. Anything in this Ordinance to the contrary notwithstanding, any monies held by the Bond Commission or a Paying Agent in trust for the payment and discharge of any of the Series 2017 Bonds which remain unclaimed for two years after the date on which such Bonds have become due and payable, whether by maturity or upon call for redemption, shall at the written request of the Issuer be paid by the Bond Commission or said Paying Agent to the Issuer as its absolute property and free from trust, and the Bond Commission or said Paying Agent shall thereupon be released and discharged with respect thereto, and the Holders of such Bonds shall look only to the Issuer for the payment of such Bonds; provided, however, that, before making any such payment to the Issuer, the Registrar, if so advised by the Bond Commission, or said Paying Agent shall send to the Holder, at the address listed on the Bond Register, by certified mail, a notice that such monies remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of such notice is mailed, the balance of such monies then unclaimed will be returned to the Issuer.

Section 10.06. Notices, Demands and Requests. Unless otherwise expressly provided, all notices, demands and requests to be given or made hereunder to or by the Issuer, the Registrar, the Depository Bank, the Original Purchaser or the Bond Insurer, if any, shall be in writing and shall be properly made if sent by United States mail, postage prepaid, and addressed as follows or if hand-delivered to the individual to whom such notice, demand or request is required to be directed as indicated below:

ISSUER
City of Salem
229 W. Main Street
Salem, West Virginia 26426
Attention: Mayor

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

PAYING AGENT
West Virginia Municipal Bond Commission
900 Pennsylvania Avenue, Suite 1117
Charleston, West Virginia 25302
Attn: Executive Director

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

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

BOND INSURER
[Name(s) and address(es) to be set forth in the Supplemental Resolution, if any]

Any party listed above may change such address listed for it at any time upon written notice of change sent by United States mail, postage prepaid, to the other parties.

Section 10.07. No Personal Liability. No member of the Council, the Issuer or officer or employee of the Issuer shall be individually or personally liable for the payment of the principal of or the interest on any Bond, but nothing herein contained shall relieve any such member, official or employee from the performance of any official duty provided by law or this Ordinance.

Section 10.08. Law Applicable. The laws of the State shall govern the construction of this Ordinance and of all Series 2017 Bonds issued hereunder.

Section 10.09. Parties Interested Herein. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2017 Bonds, the beneficial owners of the Series 2017 Bonds, the applicable Bond Insurer, if any, and the Original Purchaser, any right, remedy or claim under or by reason of this Ordinance. All the covenants, stipulations, promises and agreements contained in this Ordinance by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2017 Bonds, the Bond Insurer, if any, and the Original Purchaser.

Section 10.10. Reserved

Section 10.11. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Ordinance shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Ordinance.

Section 10.12. Table of Contents and Headlines. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 10.13. Conflicting Provisions Repealed. All ordinances, orders, resolutions or parts thereof in conflict with the provisions of this Ordinance, are, to the extent of such conflict, hereby repealed.

Section 10.14. Procedure on Enactment of Ordinance; Public Hearing. Upon adoption hereof, an abstract of this Ordinance determined by the Governing Body to contain sufficient information as to give notice of the contents hereof shall be published once a week for 2 successive weeks within a period of fourteen consecutive days, with at least 6 full days intervening between each publication, in the *Clarksburg Exponent Telegram*, a newspaper of general circulation in the City of Salem, together with a notice stating that this Ordinance has been adopted and that the Issuer contemplates the issuance of the Series 2017 Bonds, and that any person interested may appear before the Governing Body upon a date certain, not less than ten days subsequent to the date of the first publication of such abstract of this Ordinance and notice, and present protests, and that a certified copy of this Ordinance is on file with the Governing Body for review by interested persons during office hours of the Governing Body. At such hearing, all objections and suggestions shall be heard and the Governing Body shall take such action as it shall deem proper in the premises.

Section 10.15 Effective Date. This Ordinance shall become effective 30 days following public hearing and enactment hereon in accordance with the Act.

First Reading:	June 27, 2017
Second Reading:	July 11, 2017
Effective following Public Hearing held on:	July 25, 2017

CITY OF SALEM

Mayor

CERTIFICATION

Certified a true, correct and complete copy of an Ordinance duly enacted by the City Council of the CITY OF SALEM at a regular meeting of the City Council held on July 26, 2017.

Dated: March 28, 2018

[SEAL]

Recorder

EXHIBIT A-1 – FORM OF SERIES 2017 A BONDS

[DTC Legend]

No. AR-_____ $_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF SALEM, WEST VIRGINIA
SEWER REFUNDING REVENUE BONDS, SERIES 2017 A (TAX EXEMPT)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
_____%	_____	_____	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF SALEM (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on _____ 1 and _____ 1, in each year, beginning _____ 1, 20__ (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter-described Ordinance.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying

agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each _____ 15 and _____ 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by _____, _____, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least $1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $_____ designated the "City of Salem Sewer Refunding Revenue Bonds, Series 2017 A (Tax Exempt)" (the "Series 2017 A Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated _____, 2017, upon original issuance, the proceeds of which are to be used, together with other funds of the Issuer, (i) to currently refund the Issuer's Sewer Revenue Bonds, Series 1995 B, (ii) to fund a reserve account for the Series 2017 A Bonds, and (iii) to pay certain costs of issuance of the Series 2017 A Bonds and related costs. The Series 2017 A Bonds are issued under the authority of and in full compliance with the Constitution and statute of the State of West Virginia, including particularly, Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act"), and an ordinance duly enacted by the City Council of the Issuer on _____, 2017, and supplemented by a supplemental resolution adopted by said Council on _____, 2017 (hereinafter collectively referred to as the "Ordinance"), and is subject to all the terms and conditions of said Ordinance. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Series 2017 A Bonds under the Ordinance. Reference is hereby made to the Ordinance, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Series 2017 A Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Ordinance are on file at the office of the Recorder in The City of Salem, West Virginia.

[The Series 2017 A Bonds are additionally secured, but only to the extent described in the Statement of Insurance printed on the Bonds, by a policy of municipal bond insurance issued by [Bond Insurer].]

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S SEWER REVENUE BONDS, SERIES 2017 B, DATED _____, 2017, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "SERIES 2017 B BONDS").

The Series 2017 A Bonds are subject to redemption prior to their stated maturity dates, as provided in the Ordinance and as set forth in the following lettered paragraphs:

(A) Optional Redemption. The Bonds are subject to optional redemption prior to maturity as follows:

(B) Mandatory Sinking Fund Redemption. The Bonds maturing on _____, 20_____ and 20_____ are subject to annual mandatory sinking fund redemption prior to maturity by random selection as may be determined by the Registrar, on _____ 1 of the years and in the principal amounts set forth below, at the Redemption Price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Bonds Maturing 1, 20

	Year (1)	Principal Amount

Bonds Maturing 1, 20

	Year (1)	Principal Amount

* Final Maturity

In the event of any redemption of less than all outstanding Series 2017 A Bonds, the maturities to be redeemed shall be selected by the Paying Agent at the direction of the Issuer and Series 2017 A Bonds to be redeemed shall be determined by lot within a maturity, or in such other manner deemed appropriate by the Paying Agent. If less than all the Series 2017 A Bonds are to be redeemed, the Series 2017 A Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Series 2017 A Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2017 A Bond or Series 2017 A Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Paying Agent. Such notice shall also be given by the Paying Agent to the Registrar. Notice of redemption having been given as aforesaid, the Series 2017 A Bonds or portions of Series 2017 A Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Series 2017 A Bonds or portions of Series 2017 A Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Series 2017 A Bond.

The Series 2017 A Bonds and the interest thereon are payable only from and are secured by the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System, on a parity in all respects with the pledge of the Net Revenues created in favor of the holders of the Series 2017 B Bonds, all monies in the Series 2017 A Bonds Sinking Fund, and the Series 2017 A Bonds Reserve Account therein, established under the Ordinance, and the unexpended proceeds of the Series 2017 A Bonds, and the Issuer hereby and in the Ordinance pledges such revenues and monies to such payment. Said Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Ordinance. This Series 2017 A Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the monies in the Series 2017 A Bonds Sinking Fund and the Series 2017 A Bonds Reserve Account and said unexpended Series 2017 A Bond proceeds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Series 2017 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2017 A Bonds, including the Series 2017 B Bonds. The Issuer has entered into certain further covenants with the registered owners of the Series 2017 A Bonds, for the terms of which reference is made to the Ordinance. Remedies provided the registered owners of the Series 2017 A Bonds are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest thereon shall be applied solely to pay all costs of the Project, funding a reserve account for the Series 2017 A Bonds and pay costs of issuance of the Bonds, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owners of said Series 2017 A Bonds.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Series 2017 A Bond have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Series 2017 A Bond, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Series 2017 A Bonds of which this Series 2017 A Bond is one.

This Series 2017 A Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the within-described Ordinance.

The Issuer has designated the Series 2017 A Bonds as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code

This Series 2017 A Bond and the income therefrom are, under the Act, exempt from all taxation by the State of West Virginia, or any county, municipality, political subdivision or agency thereof.

This Series 2017 A Bond shall not be entitled to any benefit under the Ordinance, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

All provisions of the Ordinance, and the statutes under which this Series 2017 A Bond is issued shall be deemed to be a part of the contract evidenced by this Series 2017 A Bond to the same extent as if written fully herein.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the CITY OF SALEM (West Virginia) has caused this Bond to be signed by its Mayor and Recorder, and its corporate seal to be imprinted hereon and attested by its Recorder, and has caused this Series 2017 A Bond to be dated as of the Series 2017 A Bond date specified above.

[SEAL]

[Manual or facsimile signature]
Mayor

ATTEST:

[Manual or facsimile signature]
Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Series 2017 A Bond is one of the fully registered Series 2017 A Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Series 2017 A Bonds.

Dated: _____, 2017.

_____
As Registrar

By _____
Its Authorized Officer

(FORM OF)
ASSIGNMENT

Social Security or Other Identifying Number of Assignee

_____

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

Dated: _____, 20___.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

EXHIBIT A-2 – FORM OF SERIES 2017 B BONDS

[DTC Legend]

No. BR-_____ $_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF SALEM, WEST VIRGINIA
SEWER REVENUE BONDS, SERIES 2017 B (TAX EXEMPT)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
_____%	_____	_____	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF SALEM (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on _____ 1 and _____ 1, in each year, beginning _____ 1, 20__ (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter-described Ordinance.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each _____ 15 and _____ 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by _____, _____, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least $1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $_____ designated the "City of Salem Sewer Revenue Bonds, Series 2017 B (Tax Exempt)" (the "Series 2017 B Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated _____, 2017, upon original issuance, the proceeds of which are to be used, together with other funds of the Issuer, (i) to finance the cost of acquisition and construction of certain additions, betterments and improvements to the sewer system of the Issuer, (ii) to fund a reserve account for the Series 2017 B Bonds, and (iii) to pay certain costs of issuance of the Series 2017 Bonds and related costs. The Series 2017 B Bonds are issued under the authority of and in full compliance with the Constitution and statute of the State of West Virginia, including particularly, Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act"), and an ordinance duly enacted by the City Council of the Issuer on _____, 2017, and supplemented by a supplemental resolution adopted by said Council on _____, 2017 (hereinafter collectively referred to as the "Ordinance"), and is subject to all the terms and conditions of said Ordinance. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Series 2017 B Bonds under the Ordinance. Reference is hereby made to the Ordinance, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Series 2017 B Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Ordinance are on file at the office of the Recorder in The City of Salem, West Virginia.

[The Series 2017 B Bonds are additionally secured, but only to the extent described in the Statement of Insurance printed on the Bonds, by a policy of municipal bond insurance issued by __[Bond Insurer]__.]

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S SEWER REFUNDING REVENUE BONDS, SERIES 2017 A, DATED _____, 2017, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "SERIES 2017 A BONDS

The Series 2017 B Bonds are subject to redemption prior to their stated maturity dates, as provided in the Ordinance and as set forth in the following lettered paragraphs:

(A) Optional Redemption. The Bonds are subject to optional redemption prior to maturity as follows:

(B) Mandatory Sinking Fund Redemption. The Bonds maturing on _____, 20_____ and 20_____ are subject to annual mandatory sinking fund redemption prior to maturity by random selection as may be determined by the Registrar, on _____ 1 of the years and in the principal amounts set forth below, at the Redemption Price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Bonds Maturing _____ 1, 20

_____	Year (1)	Principal Amount

Bonds Maturing _____ 1, 20

_____	Year (1)	Principal Amount

_____
* Final Maturity

In the event of any redemption of less than all outstanding Series 2017 B Bonds, the maturities to be redeemed shall be selected by the Paying Agent at the direction of the Issuer and Series 2017 B Bonds to be redeemed shall be determined by lot within a maturity, or in such other manner deemed appropriate by the Paying Agent. If less than all the Series 2017 B Bonds are to be redeemed, the Series 2017 B Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Series 2017 B Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2017 B Bond or Series 2017 B Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Paying Agent. Such notice shall also be given by the Paying Agent to the Registrar. Notice of redemption having been given as aforesaid, the Series 2017 B Bonds or portions of Series 2017 B Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Series 2017 B Bonds or portions of Series 2017 B Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Series 2017 B Bond.

The Series 2017 B Bonds and the interest thereon are payable only from and are secured by the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System, on a parity in all respects with the pledge of the Net Revenues created in favor of the holders of the series 2017 A Bonds, all monies in the Series 2017 B Bonds Sinking Fund, and the Series 2017 B Bonds Reserve Account therein, established under the Ordinance, and the unexpended proceeds of the Series 2017 B Bonds, and the Issuer hereby and in the Ordinance pledges such revenues and monies to such payment. Said Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Ordinance. This Series 2017 B Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the monies in the Series 2017 B Bonds Sinking Fund and the Series 2017 B Bonds Reserve Account and said unexpended Series 2017 B Bond proceeds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Series 2017 B Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2017 B Bonds, including the Series 2017 A Bonds. The Issuer has entered into certain further covenants with the registered owners of the Series 2017 B Bonds, for the terms of which reference is made to the Ordinance. Remedies provided the registered owners of the Series 2017 B Bonds are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest thereon shall be applied solely to pay all costs of the Project, funding a reserve account for the Series 2017 B Bonds and pay costs of issuance of the Bonds, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owners of said Series 2017 B Bonds.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Series 2017 B Bond have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Series 2017 B Bond, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Series 2017 B Bonds of which this Series 2017 B Bond is one.

This Series 2017 B Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the within-described Ordinance.

The Issuer has designated the Series 2017 B Bonds as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code

This Series 2017 B Bond and the income therefrom are, under the Act, exempt from all taxation by the State of West Virginia, or any county, municipality, political subdivision or agency thereof.

This Series 2017 B Bond shall not be entitled to any benefit under the Ordinance, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

All provisions of the Ordinance, and the statutes under which this Series 2017 B Bond is issued shall be deemed to be a part of the contract evidenced by this Series 2017 B Bond to the same extent as if written fully herein.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the CITY OF SALEM (West Virginia) has caused this Bond to be signed by its Mayor and Recorder, and its corporate seal to be imprinted hereon and attested by its Recorder, and has caused this Series 2017 B Bond to be dated as of the Series 2017 B Bond date specified above.

[SEAL]

[Manual or facsimile signature]
Mayor

ATTEST:

[Manual or facsimile signature]
Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Series 2017 B Bond is one of the fully registered Series 2017 B Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Series 2017 B Bonds.

Dated: _____, 2017.

_____
As Registrar

By _____
Its Authorized Officer

(FORM OF)
ASSIGNMENT

Social Security or Other Identifying Number of Assignee

_____

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

Dated: _____, 20___.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

City of Salem
Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified); and
Sewer Revenue Bonds, Series 2018 B (Bank Qualified)

CERTIFICATE OF DETERMINATIONS

The undersigned, James Robert Samples, Mayor of the City of Salem (the "Issuer"), in accordance with the Supplemental Parameters Resolution adopted by the Council of the Issuer on February 13, 2018 (the "Supplemental Parameters Resolution"), with respect to the Issuer's Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified) and Sewer Revenue Bonds, Series 2018 B (Bank Qualified), (collectively, the "Series 2018 Bonds"), hereby finds and determines this 8th day of March, 2018 as follows:

1. The Series 2018 Bonds shall be dated the date of closing thereon (estimated to be March 28, 2018) and shall bear interest on June and December of each year commencing December 1, 2018.

2. The Series 2018 Bonds shall be issued in the aggregate principal amount of $3,565,000 at a true interest cost of 3.6951%. Such interest rates do not exceed 6.0%, being the maximum interest rate authorized by the Supplemental Parameters Resolution.

3. The Series 2018 Bonds shall mature in the amounts and on the dates and shall be subject to mandatory sinking fund redemption in the amounts and on the dates set forth on Schedule 1 attached hereto and incorporated herein.

4. A. The Series 2018 A Bonds shall bear interest at the rates and produce the yields set forth on Schedule 1-A attached hereto and incorporated herein.

B. The Series 2018 B Bonds shall bear interest at the rates and produce the yields set forth on Schedule 1-B attached hereto and incorporated herein

5. The Series 2018 Bonds shall be subject to optional redemption as set forth on Schedule 2 attached hereto and incorporated herein.

6. The Series 2018 Bonds shall be sold to Crews & Associates, Inc. (the "Underwriter"), pursuant to the terms of the Bond Purchase Agreement by and between the Underwriter and the Issuer, at an aggregate purchase price of $3,536,192.10 (representing par value minus an Underwriter's discount of $71,300 plus a net reoffering premium of $42,492.10).

7. Pursuant to §1.150.1-1(c)(1) of the Regulations the Series 2018 A Bonds and Series 2018 B Bonds are considered one bond issue; therefore, the combined amounts in the respective reserve accounts shall meet the size limitation for a reasonably required reserve fund pursuant to §1.148-

2(f)(2)(ii) of the Regulations which is equal to the least of (i) 10% of the original principal amount of the Series 2018 Bonds ($356,500), (ii) Maximum Annual Debt Service on the Series 2018 Bonds ($287,450), or (iii) 125% of average annual Debt Service on the Series 2018 Bonds ($312,787.23). The Series 2018 A Bonds Reserve Account is funded in the amount of $120,200 which is equal to the maximum annual debt service on the Series 2018 A Bonds (the "Series 2018 A Bonds Reserve Account Requirement") and the Series 2018 B Bonds Reserve Account is funded in the amount of $167,250 (the "Series 2018 B Bonds Reserve Account Requirement") which is slightly less than the maximum annual debt service on the Series 2018 B Bonds ($168,600) in order to result in a total combined reserve amount of $287,450 which is the maximum allowed pursuant to §1.148-2(f)(2)(ii) of the Regulations. In order to comply with the foregoing, the definitions of "Series 2018 A Bonds Reserve Requirement" and "Series 2018 B Bonds Reserve Requirement" are modified accordingly.

8. The forms of the Bond Purchase Agreement, the Tax Certificate, the Continuing Disclosure Agreement, the Registrar Agreement, the Rule 15c2-12 Certificate and Official Statement attached hereto are hereby approved.

9. West Union Bank, West Union, West Virginia, is appointed to serve as Depository Bank under the Bond Ordinance.

[Remainder of Page Intentionally Blank]

The undersigned hereby certifies that the foregoing terms and conditions of the Series 2018 Bonds are within the parameters prescribed by the Supplemental Parameters Resolution, and the Series 2018 Bonds may be issued with such terms and conditions as authorized by the Supplemental Parameters Resolution.

WITNESS MY signature the day and year first written above.

CITY OF SALEM

By: _____
Its: Mayor

Schedule 1-A

SERIES 2018 A BOND TERMS

$1,310,000
CITY OF SALEM (WEST VIRGINIA)
SEWER REFUNDING REVENUE BONDS
SERIES 2018 A (BANK QUALIFIED)

$1,310,000 4.000% Term Bonds due December 1, 2032* priced at 104.912% to yield 3.050%

*Priced to first optional redemption date of December 1, 2023

Schedule 1-B

$2,255,000
CITY OF SALEM (WEST VIRGINIA)
SEWER REVENUE BONDS
SERIES 2018 B (BANK QUALIFIED)

$305,000 3.000% Term Bonds due December 1, 2021 priced at 100.000% to yield 3.000%
$390,000 3.250% Term Bonds due December 1, 2025 priced at 99.325% to yield 3.350%
$330,000 3.500% Term Bonds due December 1, 2028 priced at 98.680% to yield 3.650%
$490,000 4.000% Term Bonds due December 1, 2032 priced at 100.000% to yield 4.000%
$740,000 4.000% Term Bonds due December 1, 2037 priced at 97.991% to yield 4.150%

Schedule 2

Optional Redemption

The Series 2018 A Bonds are subject to redemption at par or at a redemption price of 100%, at the option of the Issuer prior to maturity, on or after December 1, 2023, in whole or in part, at any time, the maturity date or dates of the Series 2018 A Bonds being redeemed to be selected by the Issuer and by random selection within maturities if less than all of any maturity, at an amount equal to the principal amount to be redeemed, plus interest, if any, accrued to the date fixed for redemption.

The Series 2018 B Bonds are subject to redemption at par or at a redemption price of 100%, at the option of the Issuer prior to maturity, on or after December 1, 2023, in whole or in part, at any time, the maturity date or dates of the Series 2018 B Bonds being redeemed to be selected by the Issuer and by random selection within maturities if less than all of any maturity, at an amount equal to the principal amount to be redeemed, plus interest, if any, accrued to the date fixed for redemption.

Mandatory Redemption

The Series 2018 A Term Bonds are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2018	60,000
2019	70,000
2020	70,000
2021	75,000
2022	75,000
2023	80,000
2024	85,000
2025	85,000
2026	90,000
2027	95,000
2028	95,000
2029	100,000
2030	105,000
2031	110,000
2032**	115,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2021 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2018	45,000
2019	85,000
2020	85,000
2021**	90,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2025 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2022	95,000
2023	95,000
2024	100,000
2025**	100,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2028 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2026	105,000
2027	110,000
2028	115,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2032 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2029	115,000
2030	120,000
2031	125,000
2032**	130,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2037 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2033	135,000
2034	140,000
2035	150,000
2036	155,000
2037**	160,000

** Final Maturity

City of Salem
Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified); and
Sewer Revenue Bonds, Series 2018 B (Bank Qualified)

CROSS-RECEIPT FOR BONDS AND BOND PROCEEDS

The undersigned Robert Steptoe, Director, of CREWS & ASSOCIATES, INC. (the "Underwriter") and James Robert Samples, Mayor of the City of Salem (the "Issuer"), for and on behalf of the Issuer, hereby certify this 28th day of March, 2018 follows:

1. A. On the 28th day of March, 2018, the Underwriter received the entire original issue of $1,310,000 in aggregate principal amount of the City of Salem (West Virginia) Sewer Refunding Revenue Bonds, Series 2018 A (the "Series 2018 A Bonds"). The Series 2018 A Bonds, as so received on original issuance, are dated March 28, 2018, are in fully registered form, are numbered from AR-1 upward in order of maturity and are registered in the name of "CEDE & CO."

B. On the 28th day of March, 2018, the Underwriter received the entire original issue of $2,255,000 in aggregate principal amount of the City of Salem (West Virginia) Sewer Revenue Bonds, Series 2018 B (the "Series 2018 B Bonds", and, together with the Series 2018 A Bonds, the "Series 2018 Bonds"). The Series 2018 B Bonds, as so received on original issuance, are dated March 28, 2018, are in fully registered form, are numbered from BR-1 upward in order of maturity and are registered in the name of "CEDE & CO."

C. At the time of such receipt of the Series 2018 Bonds, they had been executed by the Mayor of the Issuer by his manual signature, and the official seal of the Issuer had been impressed upon each Bond and attested by the City Clerk of the Issuer by his or her manual signature, and had been authenticated by an authorized officer of United Bank, Charleston, West Virginia, as Registrar.

D. The Issuer has received and hereby acknowledges receipt from the Underwriter, as the original purchaser of the Series 2018 Bonds, of the proceeds of the Series 2018 Bonds, as follows:

Par Amount of Series 2018 A Bonds	$1,310,000.00
Par Amount of Series 2018 B Bonds	2,255,000.00
Plus: Net Original Issue Premium	42,492.10
Less: Underwriter's Discount	(71,300.00)
Purchase Price	$3,536,192.10

The advance of the Series 2018 Bonds proceeds in the amount of $3,536,192.10 was made in immediately available funds (federal funds wire) to the Issuer and the uses are shown below:

Refund the Series 1995 B Bonds	$1,201,882.83
Acquisition and Construction of the Project	1,977,221.99
Fund Series 2018 A Bonds Reserve Account	120,200.00
Fund Series 2018 B Bonds Reserve Account	167,250.00
Cost of Issuance & Rounding Amount	69,637.28
Total	$3,536,192.10

WITNESS our signatures on the day and year first written above.

CREWS & ASSOCIATES, INC.

By: _____
Its: Director

CITY OF SALEM

By: _____
Its: Mayor

WITNESS our signatures on the day and year first written above.

CREWS & ASSOCIATES, INC.

By: _____
Its: Director

CITY OF SALEM

By: _____
Its: Mayor

City of Salem
Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified); and
Sewer Revenue Bonds, Series 2018 B (Bank Qualified)

DIRECTION TO AUTHENTICATE AND DELIVER SERIES 2018 BONDS

United Bank, as Registrar
Charleston, West Virginia 25301

Ladies and Gentlemen:

There are delivered to you herewith (or have previously been delivered to you) as Registrar for the above-captioned bonds on this 28th day of March, 2018:

1. Bond No. AR-1 constituting the entire original issue of the City of Salem Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified), dated March 28, 2018, in the aggregate principal amount of $1,310,000, (the "Series 2018 A Bonds"); and Bonds No. BR-1 through BR-5 constituting the entire original issue of the City of Salem Sewer Revenue Bonds, Series 2018 B (Bank Qualified), dated March 28, 2018, in the aggregate principal amount of $2,255,000, (the "Series 2018 B Bonds") (collectively, the "Series 2018 Bonds") executed by the Mayor and City Clerk of the City of Salem (the "Issuer") and bearing the official seal of the Issuer. The Series 2018 Bonds are authorized to be issued under and pursuant to an Ordinance enacted by the Issuer on July 25, 2017, as supplemented by a Supplemental Parameters Resolution and Conformed Ordinance adopted by the Issuer on February 13, 2018 and Certificate of Determinations dated March 8, 2018 (collectively, the "Bond Legislation").

2. A copy of the Bond Legislation duly certified by the City Clerk.

3. Signed, unqualified approving opinions of Steptoe & Johnson PLLC, as bond counsel with respect to the Series 2018 Bonds.

4. Copies of such other documents, certificates and verifications as required by the Original Purchaser.

You are hereby requested and authorized, pursuant to Section 3.12 of the Bond Legislation, to authenticate, register in the name of CEDE & CO., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC") and deliver the Bonds to DTC, for the account of Crews and Associates, Inc. as the original purchaser thereof.

[Remainder of Page Intentionally Blank]

Dated the day and year first written above.

CITY OF SALEM

By: _____
Its: Mayor

SPECIMEN

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

No. AR-1 $1,310,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF SALEM, WEST VIRGINIA
SEWER REFUNDING REVENUE BONDS, SERIES 2018 A (BANK QUALIFIED)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
4.000%	December 1, 2032	March 28, 2018	794641BW9

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ONE MILLION THREE HUNDRED AND TEN THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF SALEM (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on June 1 and December 1, in each year, beginning December 1, 2018 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for

prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter-described Ordinance.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each May 15 and November 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by United Bank, Charleston, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least $1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $1,310,000 designated the "City of Salem Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified)" (the "Series 2018 A Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated March 28, 2018, upon original issuance, the proceeds of which are to be used, together with other funds of the Issuer, (i) to currently refund the Issuer's Sewer Revenue Bonds, Series 1995 B, (ii) to fund a reserve account for the Series 2018 A Bonds, and (iii) to pay certain costs of issuance of the Series 2018 A Bonds and related costs. The Series 2018 A Bonds are issued under the authority of and in full compliance with the Constitution and statute of the State of West Virginia, including particularly, Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act"), and an ordinance duly enacted by the City Council of the Issuer on July 25, 2017, and supplemented by a Supplemental Parameters Resolution and Conformed Ordinance adopted February 13, 2018 and Certificate of Determinations dated March 8, 2018 (hereinafter collectively referred to as the "Ordinance"), and is subject to all the terms and conditions of said Ordinance. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Series 2018 A Bonds under the Ordinance. Reference is hereby made to the Ordinance, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Series 2018 A Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Ordinance are on file at the office of the City Clerk in the City of Salem, West Virginia.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S SEWER REVENUE BONDS, SERIES 2018 B (BANK QUALIFIED), DATED MARCH 28, 2018, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $2,255,000 (THE "SERIES 2018 B BONDS").

The Series 2018 A Bonds are subject to redemption prior to their stated maturity dates, as provided in the Ordinance and as set forth in the following lettered paragraphs:

Optional Redemption

The Series 2018 A Bonds are subject to redemption at par or at a redemption price of 100%, at the option of the Issuer prior to maturity, on or after December 1, 2023, in whole or in part, at any time, the maturity date or dates of the Series 2018 A Bonds being redeemed to be selected by the Issuer and by random selection within maturities if less than all of any maturity, at an amount equal to the principal amount to be redeemed, plus interest, if any, accrued to the date fixed for redemption.

Mandatory Redemption

The Series 2018 A Term Bonds are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2018	60,000
2019	70,000
2020	70,000
2021	75,000
2022	75,000
2023	80,000
2024	85,000
2025	85,000
2026	90,000
2027	95,000
2028	95,000
2029	100,000
2030	105,000
2031	110,000
2032**	115,000

** Final Maturity

In the event of any redemption of less than all outstanding Series 2018 A Bonds, the maturities to be redeemed shall be selected by the Paying Agent at the direction of the Issuer and Series 2018 A Bonds to be redeemed shall be determined by lot within a maturity, or in such other manner deemed appropriate by the Paying Agent. If less than all the Series 2018 A Bonds are to be redeemed, the Series 2018 A Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Series 2018 A Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2018 A Bond or Series 2018 A Bonds to be redeemed at the address shown on the

Bond Register or at such other address as is furnished in writing by such Registered Owner to the Paying Agent. Such notice shall also be given by the Paying Agent to the Registrar. Notice of redemption having been given as aforesaid, the Series 2018 A Bonds or portions of Series 2018 A Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Series 2018 A Bonds or portions of Series 2018 A Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Series 2018 A Bond.

The Series 2018 A Bonds and the interest thereon are payable only from and are secured by the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System, on a parity in all respects with the pledge of the Net Revenues created in favor of the holders of the Series 2018 B Bonds, all monies in the Series 2018 A Bonds Sinking Fund, and the Series 2018 A Bonds Reserve Account therein, established under the Ordinance, and the unexpended proceeds of the Series 2018 A Bonds, and the Issuer hereby and in the Ordinance pledges such revenues and monies to such payment. Said Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Ordinance. This Series 2018 A Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the monies in the Series 2018 A Bonds Sinking Fund and the Series 2018 A Bonds Reserve Account and said unexpended Series 2018 A Bond proceeds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Series 2018 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with or subordinate to the Series 2018 A Bonds, including the Series 2018 B Bonds. The Issuer has entered into certain further covenants with the registered owners of the Series 2018 A Bonds, for the terms of which reference is made to the Ordinance. Remedies provided the registered owners of the Series 2018 A Bonds are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest thereon shall be applied solely to pay all costs of the Project, funding a reserve account for the Series 2018 A Bonds and pay costs of issuance of the Bonds, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owners of said Series 2018 A Bonds.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Series 2018 A Bond have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Series 2018 A Bond, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Series 2018 A Bonds of which this Series 2018 A Bond is one.

This Series 2018 A Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the within-described Ordinance.

The Issuer has designated the Series 2018 A Bonds as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code.

This Series 2018 A Bond and the income therefrom are, under the Act, exempt from all taxation by the State of West Virginia, or any county, municipality, political subdivision or agency thereof.

This Series 2018 A Bond shall not be entitled to any benefit under the Ordinance, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

All provisions of the Ordinance, and the statutes under which this Series 2018 A Bond is issued shall be deemed to be a part of the contract evidenced by this Series 2018 A Bond to the same extent as if written fully herein.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the CITY OF SALEM (West Virginia) has caused this Bond to be signed by its Mayor and City Clerk, and its corporate seal to be imprinted hereon and attested by its City Clerk, and has caused this Series 2018 A Bond to be dated as of the Series 2018 A Bond date specified above.

[SEAL]

Mayor

ATTEST:

City Clerk

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Series 2018 A Bond is one of the fully registered Series 2018 A Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Series 2018 A Bonds.

Dated: March 28, 2018.

United Bank
As Registrar

By _____
Its Authorized Officer

(FORM OF)
ASSIGNMENT

Social Security or Other Identifying Number of Assignee

_____

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

Dated: _____, 20___.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

SPECIMEN

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

No. BR-1

$305,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF SALEM, WEST VIRGINIA
SEWER REVENUE BONDS, SERIES 2018 B (BANK QUALIFIED)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
3.000%	12/01/2021	03/28/2018	794641 BX7

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THREE HUNDRED FIVE THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF SALEM (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on June 1 and December 1, in each year, beginning December 1, 2018 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for

prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter-described Ordinance.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each May 15 and November 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained By United Bank, Charleston, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least $1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $2,255,000 designated the "City of Salem Sewer Revenue Bonds, Series 2018 B (Bank Qualified)" (the "Series 2018 B Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated March 28, 2018, upon original issuance, the proceeds of which are to be used, together with other funds of the Issuer, (i) to finance the cost of acquisition and construction of certain additions, betterments and improvements to the sewer system of the Issuer, (ii) to fund a reserve account for the Series 2018 B Bonds, and (iii) to pay certain costs of issuance of the Series 2018 Bonds and related costs. The Series 2018 B Bonds are issued under the authority of and in full compliance with the Constitution and statute of the State of West Virginia, including particularly, Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act"), and an ordinance duly enacted by the City Council of the Issuer on July 25, 2017, and supplemented by a Supplemental Parameters Resolution and Conformed Ordinance adopted February 13, 2018 and Certificate of Determinations dated March 8, 2018 (hereinafter collectively referred to as the "Ordinance"), and is subject to all the terms and conditions of said Ordinance. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Series 2018 B Bonds under the Ordinance. Reference is hereby made to the Ordinance, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Series 2018 B Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Ordinance are on file at the office of the City Clerk in the City of Salem, West Virginia.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S SEWER REFUNDING REVENUE BONDS, SERIES 2018 A (BANK QUALIFIED), DATED MARCH 28, 2018, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,310,000 (THE "SERIES 2018 A BONDS")

The Series 2018 B Bonds are subject to redemption prior to their stated maturity dates, as provided in the Ordinance and as set forth in the following lettered paragraphs:

Optional Redemption

The Series 2018 B Bonds are subject to redemption at par or at a redemption price of 100%, at the option of the Issuer prior to maturity, on or after December 1, 2023, in whole or in part, at any time, the maturity date or dates of the Series 2018 B Bonds being redeemed to be selected by the Issuer and by random selection within maturities if less than all of any maturity, at an amount equal to the principal amount to be redeemed, plus interest, if any, accrued to the date fixed for redemption.

Mandatory Redemption

The Series 2018 B Term Bonds due December 1, 2021 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2018	45,000
2019	85,000
2020	85,000
2021**	90,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2025 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2022	95,000
2023	95,000
2024	100,000
2025**	100,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2028 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2026	105,000
2027	110,000
2028	115,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2032 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2029	115,000
2030	120,000
2031	125,000
2032**	130,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2037 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2033	135,000
2034	140,000
2035	150,000
2036	155,000
2037**	160,000

** Final Maturity

In the event of any redemption of less than all outstanding Series 2018 B Bonds, the maturities to be redeemed shall be selected by the Paying Agent at the direction of the Issuer and Series 2018 B Bonds to be redeemed shall be determined by lot within a maturity, or in such other manner deemed appropriate by the Paying Agent. If less than all the Series 2018 B Bonds are to be redeemed, the Series 2018 B Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Series 2018 B Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2018 B Bond or Series 2018 B Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Paying Agent. Such notice shall also be given by the Paying Agent to the Registrar. Notice of redemption having been given as aforesaid, the Series 2018 B Bonds or portions of Series 2018 B Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Series 2018 B Bonds or portions of Series 2018 B Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Series 2018 B Bond.

The Series 2018 B Bonds and the interest thereon are payable only from and are secured by the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System, on a parity in all respects with the pledge of the Net Revenues created in favor of the holders of the series 2018 A Bonds, all monies in the Series 2018 B Bonds Sinking Fund, and the Series 2018 B Bonds Reserve Account therein, established under the Ordinance, and the unexpended proceeds of the Series 2018 B Bonds, and the Issuer hereby and in the Ordinance pledges such revenues and monies to such payment. Said Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Ordinance. This Series 2018 B Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the monies in the Series 2018 B Bonds Sinking Fund and the Series 2018 B Bonds Reserve Account and said unexpended Series 2018 B Bond proceeds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Series 2018 B Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with or subordinate to the Series 2018 B Bonds, including the Series 2018 A Bonds. The Issuer has entered into certain further covenants with the registered owners of the Series 2018 B Bonds, for the terms of which reference is made to the Ordinance. Remedies provided the registered owners of the Series 2018 B Bonds are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest thereon shall be applied solely to pay all costs of the Project, funding a reserve account for the Series 2018 B Bonds and pay costs of issuance of the Bonds, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owners of said Series 2018 B Bonds.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Series 2018 B Bond have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Series 2018 B Bond, together with all other obligations of said Issuer, does not

exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Series 2018 B Bonds of which this Series 2018 B Bond is one.

This Series 2018 B Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the within-described Ordinance.

The Issuer has designated the Series 2018 B Bonds as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code.

This Series 2018 B Bond and the income therefrom are, under the Act, exempt from all taxation by the State of West Virginia, or any county, municipality, political subdivision or agency thereof.

This Series 2018 B Bond shall not be entitled to any benefit under the Ordinance, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

All provisions of the Ordinance, and the statutes under which this Series 2018 B Bond is issued shall be deemed to be a part of the contract evidenced by this Series 2018 B Bond to the same extent as if written fully herein.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the CITY OF SALEM (West Virginia) has caused this Bond to be signed by its Mayor and City Clerk, and its corporate seal to be imprinted hereon and attested by its City Clerk, and has caused this Series 2018 B Bond to be dated as of the Series 2018 B Bond date specified above.

[SEAL]

SPECIMEN

Mayor

ATTEST:

SPECIMEN

City Clerk

CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This Series 2018 B Bond is one of the fully registered Series 2018 B Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Series 2018 B Bonds.

Dated: March 28, 2018.

United Bank
As Registrar

By _____
Its Authorized Officer

(FORM OF)
ASSIGNMENT

Social Security or Other Identifying Number of Assignee

_____

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

Dated: _____, 20___.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

SPECIMEN

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

No. BR-2 $390,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF SALEM, WEST VIRGINIA
SEWER REVENUE BONDS, SERIES 2018 B (BANK QUALIFIED)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
3.250%	12/01/2025	03/28/2018	794641 BY5

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THREE HUNDRED NINETY THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF SALEM (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on June 1 and December 1, in each year, beginning December 1, 2018 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for

prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter-described Ordinance.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each May 15 and November 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained By United Bank, Charleston, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least $1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $2,255,000 designated the "City of Salem Sewer Revenue Bonds, Series 2018 B (Bank Qualified)" (the "Series 2018 B Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated March 28, 2018, upon original issuance, the proceeds of which are to be used, together with other funds of the Issuer, (i) to finance the cost of acquisition and construction of certain additions, betterments and improvements to the sewer system of the Issuer, (ii) to fund a reserve account for the Series 2018 B Bonds, and (iii) to pay certain costs of issuance of the Series 2018 Bonds and related costs. The Series 2018 B Bonds are issued under the authority of and in full compliance with the Constitution and statute of the State of West Virginia, including particularly, Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act"), and an ordinance duly enacted by the City Council of the Issuer on July 25, 2017, and supplemented by a Supplemental Parameters Resolution and Conformed Ordinance adopted February 13, 2018 and Certificate of Determinations dated March 8, 2018 (hereinafter collectively referred to as the "Ordinance"), and is subject to all the terms and conditions of said Ordinance. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Series 2018 B Bonds under the Ordinance. Reference is hereby made to the Ordinance, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Series 2018 B Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Ordinance are on file at the office of the City Clerk in the City of Salem, West Virginia.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S SEWER REFUNDING REVENUE BONDS, SERIES 2018 A (BANK QUALIFIED), DATED MARCH 28, 2018, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,310,000 (THE "SERIES 2018 A BONDS")

The Series 2018 B Bonds are subject to redemption prior to their stated maturity dates, as provided in the Ordinance and as set forth in the following lettered paragraphs:

Optional Redemption

The Series 2018 B Bonds are subject to redemption at par or at a redemption price of 100%, at the option of the Issuer prior to maturity, on or after December 1, 2023, in whole or in part, at any time, the maturity date or dates of the Series 2018 B Bonds being redeemed to be selected by the Issuer and by random selection within maturities if less than all of any maturity, at an amount equal to the principal amount to be redeemed, plus interest, if any, accrued to the date fixed for redemption.

Mandatory Redemption

The Series 2018 B Term Bonds due December 1, 2021 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2018	45,000
2019	85,000
2020	85,000
2021**	90,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2025 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2022	95,000
2023	95,000
2024	100,000
2025**	100,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2028 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2026	105,000
2027	110,000
2028	115,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2032 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2029	115,000
2030	120,000
2031	125,000
2032**	130,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2037 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2033	135,000
2034	140,000
2035	150,000
2036	155,000
2037**	160,000

** Final Maturity

In the event of any redemption of less than all outstanding Series 2018 B Bonds, the maturities to be redeemed shall be selected by the Paying Agent at the direction of the Issuer and Series 2018 B Bonds to be redeemed shall be determined by lot within a maturity, or in such other manner deemed appropriate by the Paying Agent. If less than all the Series 2018 B Bonds are to be redeemed, the Series 2018 B Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Series 2018 B Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2018 B Bond or Series 2018 B Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Paying Agent. Such notice shall also be given by the Paying Agent to the Registrar. Notice of redemption having been given as aforesaid, the Series 2018 B Bonds or portions of Series 2018 B Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Series 2018 B Bonds or portions of Series 2018 B Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Series 2018 B Bond.

The Series 2018 B Bonds and the interest thereon are payable only from and are secured by the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System, on a parity in all respects with the pledge of the Net Revenues created in favor of the holders of the series 2018 A Bonds, all monies in the Series 2018 B Bonds Sinking Fund, and the Series 2018 B Bonds Reserve Account therein, established under the Ordinance, and the unexpended proceeds of the Series 2018 B Bonds, and the Issuer hereby and in the Ordinance pledges such revenues and monies to such payment. Said Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Ordinance. This Series 2018 B Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the monies in the Series 2018 B Bonds Sinking Fund and the Series 2018 B Bonds Reserve Account and said unexpended Series 2018 B Bond proceeds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Series 2018 B Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with or subordinate to the Series 2018 B Bonds, including the Series 2018 A Bonds. The Issuer has entered into certain further covenants with the registered owners of the Series 2018 B Bonds, for the terms of which reference is made to the Ordinance. Remedies provided the registered owners of the Series 2018 B Bonds are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest thereon shall be applied solely to pay all costs of the Project, funding a reserve account for the Series 2018 B Bonds and pay costs of issuance of the Bonds, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owners of said Series 2018 B Bonds.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Series 2018 B Bond have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Series 2018 B Bond, together with all other obligations of said Issuer, does not

exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Series 2018 B Bonds of which this Series 2018 B Bond is one.

This Series 2018 B Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the within-described Ordinance.

The Issuer has designated the Series 2018 B Bonds as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code.

This Series 2018 B Bond and the income therefrom are, under the Act, exempt from all taxation by the State of West Virginia, or any county, municipality, political subdivision or agency thereof.

This Series 2018 B Bond shall not be entitled to any benefit under the Ordinance, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

All provisions of the Ordinance, and the statutes under which this Series 2018 B Bond is issued shall be deemed to be a part of the contract evidenced by this Series 2018 B Bond to the same extent as if written fully herein.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the CITY OF SALEM (West Virginia) has caused this Bond to be signed by its Mayor and City Clerk, and its corporate seal to be imprinted hereon and attested by its City Clerk, and has caused this Series 2018 B Bond to be dated as of the Series 2018 B Bond date specified above.

[SEAL]

Mayor

ATTEST:

City Clerk

CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This Series 2018 B Bond is one of the fully registered Series 2018 B Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Series 2018 B Bonds.

Dated: March 28, 2018.

United Bank
As Registrar

By _____
Its Authorized Officer

(FORM OF)
ASSIGNMENT

Social Security or Other Identifying Number of Assignee

_____

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

Dated: _____, 20___.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

SPECIMEN

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

No. BR-3

$330,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF SALEM, WEST VIRGINIA
SEWER REVENUE BONDS, SERIES 2018 B (BANK QUALIFIED)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
3.500%	12/01/2028	03/28/2018	794641 BZ2

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THREE HUNDRED THIRTY THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF SALEM (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on June 1 and December 1, in each year, beginning December 1, 2018 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for

prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter-described Ordinance.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each May 15 and November 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained By United Bank, Charleston, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least $1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $2,255,000 designated the "City of Salem Sewer Revenue Bonds, Series 2018 B (Bank Qualified)" (the "Series 2018 B Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated March 28, 2018, upon original issuance, the proceeds of which are to be used, together with other funds of the Issuer, (i) to finance the cost of acquisition and construction of certain additions, betterments and improvements to the sewer system of the Issuer, (ii) to fund a reserve account for the Series 2018 B Bonds, and (iii) to pay certain costs of issuance of the Series 2018 Bonds and related costs. The Series 2018 B Bonds are issued under the authority of and in full compliance with the Constitution and statute of the State of West Virginia, including particularly, Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act"), and an ordinance duly enacted by the City Council of the Issuer on July 25, 2017, and supplemented by a Supplemental Parameters Resolution and Conformed Ordinance adopted February 13, 2018 and Certificate of Determinations dated March 8, 2018 (hereinafter collectively referred to as the "Ordinance"), and is subject to all the terms and conditions of said Ordinance. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Series 2018 B Bonds under the Ordinance. Reference is hereby made to the Ordinance, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Series 2018 B Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Ordinance are on file at the office of the City Clerk in the City of Salem, West Virginia.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S SEWER REFUNDING REVENUE BONDS, SERIES 2018 A (BANK QUALIFIED), DATED MARCH 28, 2018, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,310,000 (THE "SERIES 2018 A BONDS")

The Series 2018 B Bonds are subject to redemption prior to their stated maturity dates, as provided in the Ordinance and as set forth in the following lettered paragraphs:

Optional Redemption

The Series 2018 B Bonds are subject to redemption at par or at a redemption price of 100%, at the option of the Issuer prior to maturity, on or after December 1, 2023, in whole or in part, at any time, the maturity date or dates of the Series 2018 B Bonds being redeemed to be selected by the Issuer and by random selection within maturities if less than all of any maturity, at an amount equal to the principal amount to be redeemed, plus interest, if any, accrued to the date fixed for redemption.

Mandatory Redemption

The Series 2018 B Term Bonds due December 1, 2021 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2018	45,000
2019	85,000
2020	85,000
2021**	90,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2025 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2022	95,000
2023	95,000
2024	100,000
2025**	100,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2028 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2026	105,000
2027	110,000
2028	115,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2032 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2029	115,000
2030	120,000
2031	125,000
2032**	130,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2037 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2033	135,000
2034	140,000
2035	150,000
2036	155,000
2037**	160,000

** Final Maturity

In the event of any redemption of less than all outstanding Series 2018 B Bonds, the maturities to be redeemed shall be selected by the Paying Agent at the direction of the Issuer and Series 2018 B Bonds to be redeemed shall be determined by lot within a maturity, or in such other manner deemed appropriate by the Paying Agent. If less than all the Series 2018 B Bonds are to be redeemed, the Series 2018 B Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Series 2018 B Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2018 B Bond or Series 2018 B Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Paying Agent. Such notice shall also be given by the Paying Agent to the Registrar. Notice of redemption having been given as aforesaid, the Series 2018 B Bonds or portions of Series 2018 B Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Series 2018 B Bonds or portions of Series 2018 B Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Series 2018 B Bond.

The Series 2018 B Bonds and the interest thereon are payable only from and are secured by the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System, on a parity in all respects with the pledge of the Net Revenues created in favor of the holders of the series 2018 A Bonds, all monies in the Series 2018 B Bonds Sinking Fund, and the Series 2018 B Bonds Reserve Account therein, established under the Ordinance, and the unexpended proceeds of the Series 2018 B Bonds, and the Issuer hereby and in the Ordinance pledges such revenues and monies to such payment. Said Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Ordinance. This Series 2018 B Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the monies in the Series 2018 B Bonds Sinking Fund and the Series 2018 B Bonds Reserve Account and said unexpended Series 2018 B Bond proceeds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Series 2018 B Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with or subordinate to the Series 2018 B Bonds, including the Series 2018 A Bonds. The Issuer has entered into certain further covenants with the registered owners of the Series 2018 B Bonds, for the terms of which reference is made to the Ordinance. Remedies provided the registered owners of the Series 2018 B Bonds are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest thereon shall be applied solely to pay all costs of the Project, funding a reserve account for the Series 2018 B Bonds and pay costs of issuance of the Bonds, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owners of said Series 2018 B Bonds.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Series 2018 B Bond have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Series 2018 B Bond, together with all other obligations of said Issuer, does not

exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Series 2018 B Bonds of which this Series 2018 B Bond is one.

This Series 2018 B Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the within-described Ordinance.

The Issuer has designated the Series 2018 B Bonds as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code.

This Series 2018 B Bond and the income therefrom are, under the Act, exempt from all taxation by the State of West Virginia, or any county, municipality, political subdivision or agency thereof.

This Series 2018 B Bond shall not be entitled to any benefit under the Ordinance, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

All provisions of the Ordinance, and the statutes under which this Series 2018 B Bond is issued shall be deemed to be a part of the contract evidenced by this Series 2018 B Bond to the same extent as if written fully herein.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the CITY OF SALEM (West Virginia) has caused this Bond to be signed by its Mayor and City Clerk, and its corporate seal to be imprinted hereon and attested by its City Clerk, and has caused this Series 2018 B Bond to be dated as of the Series 2018 B Bond date specified above.

[SEAL]

Mayor

ATTEST:

City Clerk

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Series 2018 B Bond is one of the fully registered Series 2018 B Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Series 2018 B Bonds.

Dated: March 28, 2018.

United Bank
As Registrar

By _____
Its Authorized Officer

(FORM OF)
ASSIGNMENT

Social Security or Other Identifying Number of Assignee

_____

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

Dated: _____, 20___.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

SPECIMEN

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

No. BR-4

$490,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF SALEM, WEST VIRGINIA
SEWER REVENUE BONDS, SERIES 2018 B (BANK QUALIFIED)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
4.000%	12/01/2032	03/28/2018	794641 CA6

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FOUR HUNDRED NINETY THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF SALEM (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on June 1 and December 1, in each year, beginning December 1, 2018 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for

prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter-described Ordinance.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each May 15 and November 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained By United Bank, Charleston, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least $1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $2,255,000 designated the "City of Salem Sewer Revenue Bonds, Series 2018 B (Bank Qualified)" (the "Series 2018 B Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated March 28, 2018, upon original issuance, the proceeds of which are to be used, together with other funds of the Issuer, (i) to finance the cost of acquisition and construction of certain additions, betterments and improvements to the sewer system of the Issuer, (ii) to fund a reserve account for the Series 2018 B Bonds, and (iii) to pay certain costs of issuance of the Series 2018 Bonds and related costs. The Series 2018 B Bonds are issued under the authority of and in full compliance with the Constitution and statute of the State of West Virginia, including particularly, Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act"), and an ordinance duly enacted by the City Council of the Issuer on July 25, 2017, and supplemented by a Supplemental Parameters Resolution and Conformed Ordinance adopted February 13, 2018 and Certificate of Determinations dated March 8, 2018 (hereinafter collectively referred to as the "Ordinance"), and is subject to all the terms and conditions of said Ordinance. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Series 2018 B Bonds under the Ordinance. Reference is hereby made to the Ordinance, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Series 2018 B Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Ordinance are on file at the office of the City Clerk in the City of Salem, West Virginia.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S SEWER REFUNDING REVENUE BONDS, SERIES 2018 A (BANK QUALIFIED), DATED MARCH 28, 2018, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,310,000 (THE "SERIES 2018 A BONDS")

The Series 2018 B Bonds are subject to redemption prior to their stated maturity dates, as provided in the Ordinance and as set forth in the following lettered paragraphs:

Optional Redemption

The Series 2018 B Bonds are subject to redemption at par or at a redemption price of 100%, at the option of the Issuer prior to maturity, on or after December 1, 2023, in whole or in part, at any time, the maturity date or dates of the Series 2018 B Bonds being redeemed to be selected by the Issuer and by random selection within maturities if less than all of any maturity, at an amount equal to the principal amount to be redeemed, plus interest, if any, accrued to the date fixed for redemption.

Mandatory Redemption

The Series 2018 B Term Bonds due December 1, 2021 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2018	45,000
2019	85,000
2020	85,000
2021**	90,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2025 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2022	95,000
2023	95,000
2024	100,000
2025**	100,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2028 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2026	105,000
2027	110,000
2028	115,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2032 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2029	115,000
2030	120,000
2031	125,000
2032**	130,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2037 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2033	135,000
2034	140,000
2035	150,000
2036	155,000
2037**	160,000

** Final Maturity

In the event of any redemption of less than all outstanding Series 2018 B Bonds, the maturities to be redeemed shall be selected by the Paying Agent at the direction of the Issuer and Series 2018 B Bonds to be redeemed shall be determined by lot within a maturity, or in such other manner deemed appropriate by the Paying Agent. If less than all the Series 2018 B Bonds are to be redeemed, the Series 2018 B Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Series 2018 B Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2018 B Bond or Series 2018 B Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Paying Agent. Such notice shall also be given by the Paying Agent to the Registrar. Notice of redemption having been given as aforesaid, the Series 2018 B Bonds or portions of Series 2018 B Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Series 2018 B Bonds or portions of Series 2018 B Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Series 2018 B Bond.

The Series 2018 B Bonds and the interest thereon are payable only from and are secured by the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System, on a parity in all respects with the pledge of the Net Revenues created in favor of the holders of the series 2018 A Bonds, all monies in the Series 2018 B Bonds Sinking Fund, and the Series 2018 B Bonds Reserve Account therein, established under the Ordinance, and the unexpended proceeds of the Series 2018 B Bonds, and the Issuer hereby and in the Ordinance pledges such revenues and monies to such payment. Said Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Ordinance. This Series 2018 B Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the monies in the Series 2018 B Bonds Sinking Fund and the Series 2018 B Bonds Reserve Account and said unexpended Series 2018 B Bond proceeds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Series 2018 B Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with or subordinate to the Series 2018 B Bonds, including the Series 2018 A Bonds. The Issuer has entered into certain further covenants with the registered owners of the Series 2018 B Bonds, for the terms of which reference is made to the Ordinance. Remedies provided the registered owners of the Series 2018 B Bonds are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest thereon shall be applied solely to pay all costs of the Project, funding a reserve account for the Series 2018 B Bonds and pay costs of issuance of the Bonds, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owners of said Series 2018 B Bonds.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Series 2018 B Bond have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Series 2018 B Bond, together with all other obligations of said Issuer, does not

exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Series 2018 B Bonds of which this Series 2018 B Bond is one.

This Series 2018 B Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the within-described Ordinance.

The Issuer has designated the Series 2018 B Bonds as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code.

This Series 2018 B Bond and the income therefrom are, under the Act, exempt from all taxation by the State of West Virginia, or any county, municipality, political subdivision or agency thereof.

This Series 2018 B Bond shall not be entitled to any benefit under the Ordinance, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

All provisions of the Ordinance, and the statutes under which this Series 2018 B Bond is issued shall be deemed to be a part of the contract evidenced by this Series 2018 B Bond to the same extent as if written fully herein.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the CITY OF SALEM (West Virginia) has caused this Bond to be signed by its Mayor and City Clerk, and its corporate seal to be imprinted hereon and attested by its City Clerk, and has caused this Series 2018 B Bond to be dated as of the Series 2018 B Bond date specified above.

[SEAL]

Mayor

ATTEST:

City Clerk

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Series 2018 B Bond is one of the fully registered Series 2018 B Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Series 2018 B Bonds.

Dated: March 28, 2018.

United Bank
As Registrar

By _____
Its Authorized Officer

(FORM OF)
ASSIGNMENT

Social Security or Other Identifying Number of Assignee

_____

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

Dated: _____, 20___.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

SPECIMEN

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

No. BR-5

$740,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF SALEM, WEST VIRGINIA
SEWER REVENUE BONDS, SERIES 2018 B (BANK QUALIFIED)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
4.000%	12/01/2037	03/28/2018	794641 CB4

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: SEVEN HUNDRED FORTY THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF SALEM (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on June 1 and December 1, in each year, beginning December 1, 2018 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for

prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter-described Ordinance.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each May 15 and November 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained By United Bank, Charleston, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least $1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $2,255,000 designated the "City of Salem Sewer Revenue Bonds, Series 2018 B (Bank Qualified)" (the "Series 2018 B Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated March 28, 2018, upon original issuance, the proceeds of which are to be used, together with other funds of the Issuer, (i) to finance the cost of acquisition and construction of certain additions, betterments and improvements to the sewer system of the Issuer, (ii) to fund a reserve account for the Series 2018 B Bonds, and (iii) to pay certain costs of issuance of the Series 2018 Bonds and related costs. The Series 2018 B Bonds are issued under the authority of and in full compliance with the Constitution and statute of the State of West Virginia, including particularly, Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act"), and an ordinance duly enacted by the City Council of the Issuer on July 25, 2017, and supplemented by a Supplemental Parameters Resolution and Conformed Ordinance adopted February 13, 2018 and Certificate of Determinations dated March 8, 2018 (hereinafter collectively referred to as the "Ordinance"), and is subject to all the terms and conditions of said Ordinance. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Series 2018 B Bonds under the Ordinance. Reference is hereby made to the Ordinance, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Series 2018 B Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Ordinance are on file at the office of the City Clerk in the City of Salem, West Virginia.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S SEWER REFUNDING REVENUE BONDS, SERIES 2018 A (BANK QUALIFIED), DATED MARCH 28, 2018, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $1,310,000 (THE "SERIES 2018 A BONDS")

The Series 2018 B Bonds are subject to redemption prior to their stated maturity dates, as provided in the Ordinance and as set forth in the following lettered paragraphs:

Optional Redemption

The Series 2018 B Bonds are subject to redemption at par or at a redemption price of 100%, at the option of the Issuer prior to maturity, on or after December 1, 2023, in whole or in part, at any time, the maturity date or dates of the Series 2018 B Bonds being redeemed to be selected by the Issuer and by random selection within maturities if less than all of any maturity, at an amount equal to the principal amount to be redeemed, plus interest, if any, accrued to the date fixed for redemption.

Mandatory Redemption

The Series 2018 B Term Bonds due December 1, 2021 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2018	45,000
2019	85,000
2020	85,000
2021**	90,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2025 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2022	95,000
2023	95,000
2024	100,000
2025**	100,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2028 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2026	105,000
2027	110,000
2028	115,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2032 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2029	115,000
2030	120,000
2031	125,000
2032**	130,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2037 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2033	135,000
2034	140,000
2035	150,000
2036	155,000
2037**	160,000

** Final Maturity

In the event of any redemption of less than all outstanding Series 2018 B Bonds, the maturities to be redeemed shall be selected by the Paying Agent at the direction of the Issuer and Series 2018 B Bonds to be redeemed shall be determined by lot within a maturity, or in such other manner deemed appropriate by the Paying Agent. If less than all the Series 2018 B Bonds are to be redeemed, the Series 2018 B Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Series 2018 B Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2018 B Bond or Series 2018 B Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Paying Agent. Such notice shall also be given by the Paying Agent to the Registrar. Notice of redemption having been given as aforesaid, the Series 2018 B Bonds or portions of Series 2018 B Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Series 2018 B Bonds or portions of Series 2018 B Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Series 2018 B Bond.

The Series 2018 B Bonds and the interest thereon are payable only from and are secured by the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System, on a parity in all respects with the pledge of the Net Revenues created in favor of the holders of the series 2018 A Bonds, all monies in the Series 2018 B Bonds Sinking Fund, and the Series 2018 B Bonds Reserve Account therein, established under the Ordinance, and the unexpended proceeds of the Series 2018 B Bonds, and the Issuer hereby and in the Ordinance pledges such revenues and monies to such payment. Said Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Ordinance. This Series 2018 B Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the monies in the Series 2018 B Bonds Sinking Fund and the Series 2018 B Bonds Reserve Account and said unexpended Series 2018 B Bond proceeds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Series 2018 B Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with or subordinate to the Series 2018 B Bonds, including the Series 2018 A Bonds. The Issuer has entered into certain further covenants with the registered owners of the Series 2018 B Bonds, for the terms of which reference is made to the Ordinance. Remedies provided the registered owners of the Series 2018 B Bonds are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest thereon shall be applied solely to pay all costs of the Project, funding a reserve account for the Series 2018 B Bonds and pay costs of issuance of the Bonds, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owners of said Series 2018 B Bonds.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Series 2018 B Bond have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Series 2018 B Bond, together with all other obligations of said Issuer, does not

exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Series 2018 B Bonds of which this Series 2018 B Bond is one.

This Series 2018 B Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the within-described Ordinance.

The Issuer has designated the Series 2018 B Bonds as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code.

This Series 2018 B Bond and the income therefrom are, under the Act, exempt from all taxation by the State of West Virginia, or any county, municipality, political subdivision or agency thereof.

This Series 2018 B Bond shall not be entitled to any benefit under the Ordinance, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

All provisions of the Ordinance, and the statutes under which this Series 2018 B Bond is issued shall be deemed to be a part of the contract evidenced by this Series 2018 B Bond to the same extent as if written fully herein.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the CITY OF SALEM (West Virginia) has caused this Bond to be signed by its Mayor and City Clerk, and its corporate seal to be imprinted hereon and attested by its City Clerk, and has caused this Series 2018 B Bond to be dated as of the Series 2018 B Bond date specified above.

[SEAL]

Mayor

ATTEST:

City Clerk

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Series 2018 B Bond is one of the fully registered Series 2018 B Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Series 2018 B Bonds.

Dated: March 28, 2018.

United Bank
As Registrar

By _____
Its Authorized Officer

(FORM OF)
ASSIGNMENT

Social Security or Other Identifying Number of Assignee

_____

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

Dated: _____, 20___.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

STEPTOE & JOHNSON PLLC
ATTORNEYS AT LAW

Chase Tower, 17th Floor
P.O. Box 1588
Charleston, WV 25326-1588
(304) 353-8000 (304) 353-8180 Fax
www.steptoe-johnson.com

Writer's Contact Information

March 28, 2018

City of Salem
Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified)

City of Salem
Salem, West Virginia

Crews and Associates, Inc.
Morgantown, West Virginia

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the authorization, issuance, sale, and the initial delivery on the date hereof, by the City of Salem, West Virginia (the "Issuer") of its $1,310,000 aggregate principal amount of Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified) (the "Series 2018 A Bonds").

The Series 2018 A Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Ordinance duly enacted by the Issuer on July 25, 2017, as supplemented by a Supplemental Parameters Resolution and Conformed Ordinance duly adopted by the Issuer on February 13, 2018 and a Certificate of Determinations executed by the Mayor on March 8, 2018 (collectively, the "Ordinance"), and are subject to all the terms and conditions of the Ordinance. All capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Ordinance.

The Series 2018 A Bonds are issued in fully registered form, are dated March 28, 2018, mature on December 1 in the years and amounts and bear interest payable each June 1 and December 1, commencing December 1, 2018, all as set forth in the Ordinance.

The Ordinance provides that the Series 2018 A Bonds are issued for the purpose of: (i) currently refunding the Sewer Revenue Bonds, Series 1995 B, dated June 27, 1995, issued in the original aggregate principal amount of $2,000,000 (the "Series 1995 B Bonds"); (ii) funding the Series 2018 A Bonds Reserve Account; and (iii) paying costs of issuance of the Series 2018 A Bonds and related costs.

The Series 2018 A Bonds have been sold to Crews and Associates, Inc. (the "Original Purchaser"), pursuant to a Bond Purchase Agreement dated March 8, 2018 (the "Bond Purchase Agreement"), accepted by the Issuer.

In connection with our engagement as Bond Counsel, we have examined the law and such documents and matters as we have deemed necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the Issuer, the Original Purchaser and other entities contained in the Ordinance, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Tax Certificate and in the certified proceedings and other certifications of certain officials furnished to us without undertaking to verify the same by independent investigation and have relied upon, and have assumed, due compliance with the provisions of, the proceedings and other documents.

Based upon the foregoing, and assuming compliance with the covenants and representations of the Issuer and others set forth in the Ordinance, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Tax Certificate and such certifications, we are of the opinion, under existing law, that:

1. The Issuer is a duly organized and validly existing municipal corporation and political subdivision under and pursuant to the laws of the State of West Virginia, with full power and authority to adopt and enact the Ordinance, enter into the Bond Purchase Agreement, the Continuing Disclosure Agreement and the Tax Certificate, perform its obligations under the terms and provisions thereof and to issue and sell the Series 2018 A Bonds, all under the provisions of the Act and other applicable provisions of law.

2. The Issuer, through its governing body, has legally and effectively adopted and enacted the Ordinance; has authorized, executed and delivered the Bond Purchase Agreement, the Continuing Disclosure Agreement, and the Tax Certificate; has authorized the distribution of the Official Statement in connection with the marketing and sale of the Series 2018 A Bonds; and has issued and delivered the Series 2018 A Bonds to the Original Purchaser pursuant to the Bond Purchase Agreement. The Ordinance is in full force and effect as of the date hereof.

3. Assuming due authorization, execution and delivery by the other parties thereto, the Bond Purchase Agreement, the Continuing Disclosure Agreement and the Tax Certificate constitute valid, legal, binding and enforceable instruments of the Issuer in accordance with their respective terms.

4. The Series 2018 A Bonds have been duly authorized, executed and delivered by the Issuer and, assuming proper authentication, constitute valid and legally enforceable limited obligations of the Issuer, payable from, and secured by a lien on, the Net Revenues of the System, on a parity with the Issuer's Sewer Revenue Bonds, Series 2018 B (Bank Qualified), dated March 28, 2018, issued simultaneously herewith in the original aggregate principal amount of $2,255,000 (the "Series 2018 B Bonds"). The Series 2018 A Bonds are enforceable in accordance with their terms and the terms of the Ordinance, and are entitled to the benefits of the Ordinance and the Act.

5. We have examined the executed and authenticated Series 2018 A Bonds of said issue, and in our opinion, said Series 2018 A Bonds are in proper form and have been duly executed and authenticated.

6. Under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Bonds (a) is excludable from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended and the regulations promulgated thereunder (the "Code") and

(b) is not an item of tax preference for purposes of the federal alternative minimum tax, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income for taxable years that began prior to January 1, 2018. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Code that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Ordinance, and in certain certificates delivered in connection with the issuance of the Bonds. Failure to comply with certain of such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds except as expressly set forth in this paragraph 6 and in paragraph 9 below.

7. Under the Act, the Series 2018 A Bonds and the interest thereon are exempt from all taxation by the State of West Virginia or any county, municipality, political subdivision or agency thereof.

8. The Series 2018 A Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and the West Virginia Uniform Securities Act, as amended, and it is not necessary, in connection with the public offering and sale of the Series 2018 A Bonds, to register any securities under said Securities Acts.

9. The Issuer has designated the Series 2018 A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code, and has covenanted that it does not reasonably expect to issue more than $10,000,000 of tax-exempt obligations (other than obligations described in Section 265(b)(3)(C)(ii) of the Code) during the calendar year 2018, determined in accordance with the Code. Therefore, based on the foregoing the Series 2018 A Bonds are "qualified tax-exempt obligations," within the meaning of Section 265(b)(3) of the Code, and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for 80% of that portion of such financial institutions' interest expense allocable to interest on the Series 2018 A Bonds.

10. The Series 1995 B Bonds have been defeased within the meaning and with the effect expressed in the resolutions authorizing the issuance of the Series 1995 B Bonds, and the covenants, agreements and other obligations of the Issuer to the Holders and Owners of the Series 1995 B Bonds have been satisfied and discharged. In rendering the opinion set forth in this paragraph, we have relied upon the Receipt and Release of the United States Department of Agriculture as to the sufficiency of the monies on deposit to provide for the payment of the principal of, interest on, and premium, if any, of the Series 1995 B Bonds.

It is to be understood that the rights of the holders of the Series 2018 A Bonds and the enforceability of the Series 2018 A Bonds, the Ordinance, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Tax Certificate, and the liens, pledges, rights or remedies with respect thereto, are subject to and may be limited by any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws heretofore or hereafter enacted affecting creditors' rights or remedies generally and that their enforcement may also be subject to the application of public policy, general principles of equity and the exercise of judicial discretion in appropriate cases.

We do not express any opinion as to the sufficiency or accuracy of the material, information or financial statements which are set forth in the Official Statement prepared and used in connection with the offering and sale of the Series 2018 A Bonds.

The opinions expressed in this letter are based upon the law in effect on the date hereof, and may be affected by actions taken or omitted or events occurring after the date hereof, including subsequent interpretations of the applicable law by competent judicial, regulatory and administrative authorities that modify, revoke, supplement, reverse, overrule or otherwise change applicable law and current interpretations thereof. We assume no obligation to revise or supplement this opinion should such law be changed by legislative action, judicial decision, or otherwise, or to determine or to inform any person whether any such actions are taken or omitted or any such events occur.

Very truly yours,

STEPTOE & JOHNSON PLLC

STEPTOE & JOHNSON PLLC
ATTORNEYS AT LAW

Chase Tower, 17th Floor
P.O. Box 1588
Charleston, WV 25326-1588
(304) 353-8000 (304) 353-8180 Fax
www.steptoe-johnson.com

Writer's Contact Information

March 28, 2018

City of Salem
Sewer Revenue Bonds, Series 2018 B (Bank Qualified)

City of Salem
Salem, West Virginia

Crews and Associates, Inc.
Morgantown, West Virginia

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the authorization, issuance, sale, and the initial delivery on the date hereof, by the City of Salem, West Virginia (the "Issuer") of its $2,255,000 aggregate principal amount of Sewer Revenue Bonds, Series 2018 B (Bank Qualified) (the "Series 2018 B Bonds").

The Series 2018 B 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 West Virginia Code of 1931, as amended (the "Act"), and a Bond Ordinance duly enacted by the Issuer on July 25, 2017, as supplemented by a Supplemental Parameters Resolution and Conformed Ordinance duly adopted by the Issuer on February 13, 2018 and a Certificate of Determinations executed by the Mayor on March 8, 2018 (collectively, the "Ordinance"), and are subject to all the terms and conditions of the Ordinance. All capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Ordinance.

The Series 2018 B Bonds are issued in fully registered form, are dated March 28, 2018, mature on December 1 in the years and amounts and bear interest payable each June 1 and December 1, commencing December 1, 2018, all as set forth in the Ordinance.

The Ordinance provides that the Series 2018 B Bonds are issued for the purpose of: (i) financing the costs of the design, acquisition, construction and equipping of certain additions, betterments and improvements to the existing sewerage system of the City; (ii) funding the Series 2018 B Bonds Reserve Account; and (iii) paying costs of issuance of the Series 2018 B Bonds and related costs.

The Series 2018 B Bonds have been sold to Crews and Associates, Inc. (the "Original Purchaser"), pursuant to a Bond Purchase Agreement dated March 8, 2018 (the "Bond Purchase Agreement"), accepted by the Issuer.

In connection with our engagement as Bond Counsel, we have examined the law and such documents and matters as we have deemed necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the Issuer, the Original Purchaser and other entities contained in the Ordinance, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Tax Certificate and in the certified proceedings and other certifications of certain officials furnished to us without undertaking to verify the same by independent investigation and have relied upon, and have assumed, due compliance with the provisions of, the proceedings and other documents.

Based upon the foregoing, and assuming compliance with the covenants and representations of the Issuer and others set forth in the Ordinance, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Tax Certificate and such certifications, we are of the opinion, under existing law, that:

1. The Issuer is a duly organized and validly existing municipal corporation and political subdivision under and pursuant to the laws of the State of West Virginia, with full power and authority to adopt and enact the Ordinance, enter into the Bond Purchase Agreement, the Continuing Disclosure Agreement and the Tax Certificate, perform its obligations under the terms and provisions thereof and to issue and sell the Series 2018 B Bonds, all under the provisions of the Act and other applicable provisions of law.

2. The Issuer, through its governing body, has legally and effectively adopted and enacted the Ordinance; has authorized, executed and delivered the Bond Purchase Agreement, the Continuing Disclosure Agreement, and the Tax Certificate; has authorized the distribution of the Official Statement in connection with the marketing and sale of the Series 2018 B Bonds; and has issued and delivered the Series 2018 B Bonds to the Original Purchaser pursuant to the Bond Purchase Agreement. The Ordinance is in full force and effect as of the date hereof.

3. Assuming due authorization, execution and delivery by the other parties thereto, the Bond Purchase Agreement, the Continuing Disclosure Agreement and the Tax Certificate constitute valid, legal, binding and enforceable instruments of the Issuer in accordance with their respective terms.

4. The Series 2018 B Bonds have been duly authorized, executed and delivered by the Issuer and, assuming proper authentication, constitute valid and legally enforceable limited obligations of the Issuer, payable from, and secured by a lien on, the Net Revenues of the System, on a parity with the Issuer's Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified), dated March 28, 2018, issued simultaneously herewith in the original aggregate principal amount of $1,310,000 (the "Series 2018 A Bonds"). The Series 2018 B Bonds are enforceable in accordance with their terms and the terms of the Ordinance, and are entitled to the benefits of the Ordinance and the Act.

5. We have examined the executed and authenticated Series 2018 B Bonds of said issue, and in our opinion, said Series 2018 B Bonds are in proper form and have been duly executed and authenticated.

6. Under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Bonds (a) is excludable from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended and the regulations promulgated thereunder (the "Code") and

(b) is not an item of tax preference for purposes of the federal alternative minimum tax, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income for taxable years that began prior to January 1, 2018. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Code that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Ordinance, and in certain certificates delivered in connection with the issuance of the Bonds. Failure to comply with certain of such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds except as expressly set forth in this paragraph 6 and in paragraph 9 below.

7. Under the Act, the Series 2018 B Bonds and the interest thereon are exempt from all taxation by the State of West Virginia or any county, municipality, political subdivision or agency thereof.

8. The Series 2018 B Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and the West Virginia Uniform Securities Act, as amended, and it is not necessary, in connection with the public offering and sale of the Series 2018 B Bonds, to register any securities under said Securities Acts.

9. The Issuer has designated the Series 2018 B Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code, and has covenanted that it does not reasonably expect to issue more than $10,000,000 of tax-exempt obligations (other than obligations described in Section 265(b)(3)(C)(ii) of the Code) during the calendar year 2018, determined in accordance with the Code. Therefore, based on the foregoing the Series 2018 B Bonds are "qualified tax-exempt obligations," within the meaning of Section 265(b)(3) of the Code, and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for 80% of that portion of such financial institutions' interest expense allocable to interest on the Series 2018 B Bonds.

It is to be understood that the rights of the holders of the Series 2018 B Bonds and the enforceability of the Series 2018 B Bonds, the Ordinance, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Tax Certificate, and the liens, pledges, rights or remedies with respect thereto, are subject to and may be limited by any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws heretofore or hereafter enacted affecting creditors' rights or remedies generally and that their enforcement may also be subject to the application of public policy, general principles of equity and the exercise of judicial discretion in appropriate cases.

We do not express any opinion as to the sufficiency or accuracy of the material, information or financial statements which are set forth in the Official Statement prepared and used in connection with the offering and sale of the Series 2018 B Bonds.

The opinions expressed in this letter are based upon the law in effect on the date hereof, and may be affected by actions taken or omitted or events occurring after the date hereof, including subsequent interpretations of the applicable law by competent judicial, regulatory and administrative authorities that modify, revoke, supplement, reverse, overrule or otherwise change applicable law and

current interpretations thereof. We assume no obligation to revise or supplement this opinion should such law be changed by legislative action, judicial decision, or otherwise, or to determine or to inform any person whether any such actions are taken or omitted or any such events occur.

Very truly yours,



STEPTOE & JOHNSON PLLC

STEPTOE & JOHNSON PLLC
ATTORNEYS AT LAW

Chase Tower, 17th Floor
P.O. Box 1588
Charleston, WV 25326-1588
(304) 353-8000 (304) 353-8180 Fax
www.steptoe-johnson.com

Writer's Contact Information

March 28, 2018

City of Salem
Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified); and
Sewer Revenue Bonds, Series 2018 B (Bank Qualified)

City of Salem
Salem, West Virginia

Crews & Associates, Inc.
Morgantown, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance and sale by the City of Salem (the "Issuer") of its $1,310,000 aggregate principal amount of Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified) and $2,255,000 aggregate principal amount of Sewer Revenue Bonds, Series 2018 B (Bank Qualified) (collectively, the "Series 2018 Bonds"). In our capacity as bond counsel, we are delivering an opinion of even date herewith concerning the legality of the Series 2018 Bonds and the exclusion of interest on the Series 2018 Bonds from gross income for federal income tax purposes (the "Bond Opinion"). We have examined the documents and instruments as described in the Bond Opinion, the Official Statement and such other matters as we have deemed necessary or appropriate to render this opinion. Words and terms used in this opinion shall have the meanings assigned to them in the Bond Purchase Agreement (the "Bond Purchase Agreement") dated March 8, 2018, between the Issuer and Crews & Associates, Inc. (the "Underwriter").

Based upon the foregoing, we are of opinion that:

(1) The Bond Purchase Agreement has been duly authorized, executed and delivered by, and (assuming due authorization, execution and delivery by the Underwriter and that it is a binding agreement of the Underwriter in accordance with its terms) constitutes a binding agreement in accordance with its terms of, the Issuer and the Sanitary Board.

(2) The Series 2018 Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Ordinance is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

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

(4) Nothing has come to our attention which would lead us to believe that the statements contained in the Official Statement under the captions "Purpose and Plan of Financing," "The Series 2018 Bonds," "Security for the Series 2018 Bonds" (except for the statements referred to therein under "Appendix D - Book-Entry Only System" with respect to The Depository Trust Company), "Litigation," "Appendix E – Proposed Forms of Bond Counsel Opinions," and "Appendix F – Forms of Ordinance, Supplemental Parameters Resolution and Certificate of Determinations" insofar as such statements contained under such captions purport to summarize certain matters set forth therein and certain provisions of the Ordinance, do not present fairly in all material respects the matters referred to therein.

Very truly yours,

STEPTOE & JOHNSON PLLC

MOUNTAIN STATE LAW™

Samuel H. Harrold, III
P.O. Box 2330 • Clarksburg, WV 26302
P: 304.715.3802• F: 304.884.4259
Sam@MountainStateLaw.com
MountainStateLaw.com

March 28, 2018

City of Salem
Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified); and
Sewer Revenue Bonds, Series 2018 B (Bank Qualified)

City of Salem
P.O. Box 352
Salem, West Virginia 26426

Crews and Associates, Inc.
69 Clay Street, Suite 202
Morgantown, West Virginia 26501

Ladies and Gentlemen:

I have acted as counsel for the City of Salem, West Virginia (the "Issuer") in connection with the sale of the above-referenced bonds (collectively, the "Series 2018 Bonds"), which are being delivered and sold pursuant to a Bond Purchase Agreement dated as of March 8, 2018 (the "Bond Purchase Agreement") between Crews & Associates, Inc. (the "Underwriter") and the Issuer.

In this connection, I have reviewed and examined certain proceedings and documents with respect to the Series 2018 Bonds, any such records, certificates and other documents as I have considered necessary or appropriate for the purposes of this opinion and the laws of the State of West Virginia, including Chapter 16, Article 13 of the Code of West Virginia, 1931, as amended (the "Act"), the Bond Ordinance of the Issuer relating to the Series 2018 Bonds adopted on July 25, 2017, as supplemented by a Supplemental Parameters Resolution and Conformed Ordinance adopted by the Issuer on February 13, 2018 and Certificate of Determinations dated March 8, 2018 (collectively, the "Bond Legislation"), the Bond Purchase Agreement and the Official Statement dated March 8, 2018, with respect to the issuance and offering of the Series 2018 Bonds (the "Official Statement"), and certifications of the Issuer. Any capitalized term used herein and not defined herein shall have the meaning assigned to it in the Bond Purchase Agreement.

Based on such review and such other considerations of law and fact as I believe to be relevant, I am of the opinion that:

(1) The Issuer has been duly organized and is validly existing under the Constitution and laws of the State of West Virginia, and has all requisite power and authority thereunder: (a) to enact the Ordinance, and to enter into, execute, deliver and perform its covenants and agreements under the Legal Documents; (b) to approve and authorize the use, execution and distribution of the Preliminary Official Statement and the Official Statement; (c) to issue, sell, execute and deliver the Series 2018 Bonds; (d) to pledge the Net Revenues as contemplated by the Legal Documents; and (e) to carry on its activities as currently conducted.

(2) The Issuer has taken all actions required to be taken by it before the Closing Date material to the transactions contemplated by the Bond Purchase Agreement, and the Issuer has duly authorized the execution and delivery of, and the due performance of its obligations under, the Legal Documents.

(3) The Bond Legislation was duly enacted, adopted and authorized by the City Council of the Issuer at meetings of the City Council of the Issuer which were called and held pursuant to law and with all required notices and in accordance with all applicable open meetings laws and at which a quorum was present and acting at the time of the enactment, adoption and authorization of the Bond Legislation.

(4) The enactment, adoption, and authorization of the Bond Legislation, the execution and delivery by the Issuer of the Legal Documents and the compliance with the provisions of the Legal Documents do not and will not conflict with or violate in any material respect any West Virginia constitutional, statutory or regulatory provision or, to the best of my knowledge after due inquiry, conflict with or constitute on the part of the Issuer a material breach of or default under any agreement or instrument to which the Issuer is a party or by which it is bound.

(5) The Legal Documents constitute legal, valid and binding obligations of the Issuer and are enforceable according to the terms thereof, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors' rights generally, and by the application of equitable principles if equitable remedies are sought, by the exercise of judicial discretion and the limitations on legal remedies against public entities in the State.

(6) No litigation is pending or, to the best of my knowledge after due inquiry, threatened against the Issuer in any court in any way affecting the titles of the officials of the Issuer to their respective positions, or seeking to restrain or to enjoin the issuance, sale or delivery of the Series 2018 Bonds, or the collection of revenues pledged or to be pledged to pay the principal of and interest on the Series 2018 Bonds, or in any way contesting or affecting the validity or enforceability of the Ordinance or the other Legal Documents, or contesting in any way the completeness or accuracy of the Official Statement, or contesting the powers of the Issuer or its authority with respect to the Ordinance or the other Legal Documents.

(7) The information contained in the Official Statement under the captions "The Issuer," "Litigation", "Continuing Disclosure" and "Appendix A – City of Salem, West Virginia and Harrison County West Virginia Economic and Demographic Data" does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(8) To the best of my knowledge after due inquiry, no authorization, approval, consent or other order of the State or any local agency of the State, other than such authorizations, approvals and consents which have been obtained, is required for the design, acquisition, construction and equipping of the Project and to the best of my knowledge after due inquiry, no authorization, approval, consent or other order of the State or any local agency of the State, other than such authorizations, approvals and consents which have been obtained is required for the valid authorization, execution and delivery by the Issuer of the Legal Documents and the authorization and distribution of the Preliminary Official Statement and the Official Statement (provided that no opinion need be expressed as to any action required under state securities or Blue Sky laws in connection with the purchase of the Bonds by the Underwriter).

(9) To the best of my knowledge after due inquiry, the Issuer is not in breach of or default under any applicable law or administrative regulation of the State of West Virginia or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or is otherwise subject, which breach or default would materially adversely affect the Issuer's ability to enter into or perform its obligations under the Legal Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument and which would materially adversely affect the Issuer's ability to enter into or perform its obligations under the Legal Documents.

Sincerely,

Sam H. Harrold, III

MOUNTAIN STATE LAW™

Samuel H. Harrold, III
P.O. Box 2330 • Clarksburg, WV 26302
P: 304.715.3802• F: 304.884.4259
Sam@MountainStateLaw.com
MountainStateLaw.com

March 28, 2018

City of Salem
Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified); and
Sewer Revenue Bonds, Series 2018 B (Bank Qualified)

City of Salem
P.O. Box 352
Salem, West Virginia 26426

Crews and Associates, Inc.
69 Clay Street, Suite 202
Morgantown, West Virginia 26501

Ladies and Gentlemen:

I have acted as counsel for the City of Salem Sanitary Board (the "Sanitary Board") in connection with the sale of the above-referenced bonds (collectively, the "Series 2018 Bonds"), which are being delivered and sold pursuant to a Bond Purchase Agreement dated as of March 8, 2018 (the "Bond Purchase Agreement") between Crews & Associates, Inc. (the "Underwriter") and the City of Salem (the "Issuer").

In this connection, I have reviewed and examined certain proceedings and documents with respect to the Series 2018 Bonds, any such records, certificates and other documents as I have considered necessary or appropriate for the purposes of this opinion and the laws of the State of West Virginia, including Chapter 16, Article 13 of the Code of West Virginia, 1931, as amended (the "Act"), the Bond Ordinance of the Issuer relating to the Series 2018 Bonds adopted on July 25, 2017, as supplemented by a Supplemental Parameters Resolution and Conformed Ordinance adopted by the Issuer on February 13, 2018 and Certificate of Determinations dated March 8, 2018 (collectively, the "Bond Legislation"), the Bond Purchase Agreement and the Official Statement dated March 8, 2018, with respect to the issuance and offering of the Series 2018 Bonds (the "Official Statement"), and certifications of the Issuer. Any capitalized term used herein and not defined herein shall have the meaning assigned to it in the Bond Purchase Agreement.

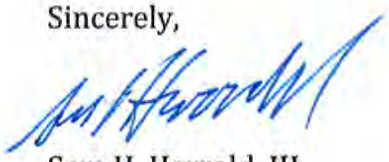
Based on such review and such other considerations of law and fact as I believe to be relevant, I am of the opinion that:

(1) No litigation is pending, or to my knowledge, threatened in any court in any way affecting the existence of the Sanitary Board or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the issuance or delivery of the Series 2018 Bonds, or the collection of revenues and assets of the System pledged or to be pledged to pay the principal of and interest on the Series 2018 Bonds, or the pledge thereof, or the refunding of the Refunded Bonds or the design, acquisition, construction and equipping of the Project, or any transaction described in or contemplated by the Official Statement.

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

(3) The statements contained in the Official Statement under the captions "Purpose and Plan Of Financing," "The Issuer," "The System and Sanitary Board," "Litigation," "Legal Matters", "Continuing Disclosure", "Appendix B – The System and the Sanitary Board", and "Appendix G-Rate Tariff", insofar as such statements contained under such captions relate to the Sanitary Board and/or the System, or purport to summarize certain matters set forth therein, are accurate and present a fair summary of the matters referred to therein.

Sincerely,



Sam H. Harrold, III

101 South Queen Street
Martinsburg, West Virginia 25401

7000 Hampton Center
Morgantown, West Virginia 26505

501 Avery Street
Parkersburg, West Virginia 26101

Bowles Rice LLP
ATTORNEYS AT LAW

600 Quarrier Street
Charleston, West Virginia 25301

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

www.bowlesrice.com

Southpointe Town Center
1800 Main Street, Suite 200
Canonsburg, Pennsylvania 15317

1217 Chapline Street
Wheeling, West Virginia 26003

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

March 28, 2018

Crews & Associates, Inc.
69 Clay Street
Suite 202
Morgantown, West Virginia 26501

Re: City of Salem
Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified) and
Sewer Revenue Bonds, Series 2018 B (Bank Qualified)

Ladies and Gentlemen:

We have acted as counsel to you, Crews & Associates, Inc. (the "Underwriter"), in connection with the issuance and sale by the City of Salem (West Virginia) (the "Issuer") of its Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified) in the aggregate principal amount of $1,310,000 (the "Series 2018 A Bonds") and Sewer Revenue Bonds, Series 2018 B (Bank Qualified) in the aggregate principal amount of $2,255,000 (the "Series 2018 B Bonds" and, together with the Series 2018 A Bonds, the "Series 2018 Bonds").

In connection with rendering this opinion, we have examined the Official Statement of the Issuer dated March 8, 2018, as supplemented by the Supplement thereto dated March 27, 2018 (collectively, the "Official Statement"), the Bond Purchase Agreement dated March 8, 2018, by and between the Issuer and the Underwriter (the "Purchase Agreement"), the Continuing Disclosure Agreement, dated March 28, 2018, between the Issuer and United Bank, as dissemination agent (the "Continuing Disclosure Agreement") and Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended and presently in effect (the "Rule"). Capitalized terms used but not defined herein shall have the meanings set forth in the Purchase Agreement.

Based upon the foregoing review, it is our opinion that the Continuing Disclosure Agreement in all material respects satisfies the requirements of subparagraph (b)(5)(i) of the Rule in effect as of the date hereof.

Without having undertaken to determine independently the accuracy or completeness of the statements contained in the Preliminary Official Statement or Official Statement, but solely on the basis of our conferences with representatives of the Issuer, Bond Counsel and the Underwriter, and our examination of certain documents referred to in the Preliminary Official Statement and the

Official Statement, nothing has come to our attention that would lead us to believe that the Preliminary Official Statement, as of its date, and the Official Statement, as of its date and the date of Closing, (excluding therefrom all financial and statistical data included in the Official Statement, including the entirety of Appendix C thereto and all information concerning The Depository Trust Company and the book-entry only system for the Series 2018 Bonds, on which we express no opinion) contained or contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

This opinion is solely for the benefit of, and may be relied upon only by, the Underwriter, and it is not to be used, circulated, quoted or otherwise referred to for any other purpose, except that a copy hereof may be included in the transcript of closing documents pertaining to the delivery of the Series 2018 Bonds.

Very truly yours,

Bowles Rice LLP

BOWLES RICE LLP

WV MUNICIPAL BOND COMMISSION
State Lottery Building
900 Pennsylvania Avenue, Suties 1117
Charleston, WV 25301
(304) 558-3971

NEW ISSUE REPORT FORM

Date of Report: 3/28/2018

ISSUE: City of Salem
Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified)

ADDRESS: 229 W. Main St., Salem, WV 26426 COUNTY: Harrison

PURPOSE OF ISSUE:
New Money: ____
Refunding: x

ISSUE DATE: 3/28/2018
ISSUE AMOUNT: $1,310.000
1ST DEBT SERVICE DUE: 12/1/2018
1ST DEBT SERVICE AMOUNT see DSS

REFUNDS ISSUE(S) DATED: 6/27/1995
CLOSING DATE: 3/28/2018
RATE: 4.00%
1ST PRINCIPAL DUE 12/1/2018
PAYING AGENT: Municipal Bond Commission

BOND COUNSEL:
Firm: Steptoe & Johnson PLLC
Contact John Stump, Esquire
Phone: (304) 353.8196

CLOSING BANK:
Bank:
Contact:
Phone:

KNOWLEDGEABLE ISSUER CONTACT
Contact: Ronnie Davis
Position: City Manager
Phone: 304.476.6278

UNDERWRITERS COUNSEL
Firm: Bowles Rice
Contact: Cam Siegrist
Phone: 304.347.1129

ESCROW TRUSTEE:
Firm:
Contact:
Phone:

OTHER:
Agency: Crews & Associates, Inc.
69 Clay Street, Suite 202
Contact: Rob Steptoe
Position: Director
Phone: 304.276.5273

DEPOSITS TO MBC AT CLOSE
By:
x Wire
____ Check

____ Accrued Interest: $ ____
____ Capitalized Interest: $ ____
x Reserve Account: $ 120,200.00
____ Other: $ ____

REFUNDS & TRANSFERS BY MBC AT CLOSE
By:
____ Wire
____ Check
____ IGT

____ To Escrow Trustee $ ____
____ To Issuer $ ____
____ To Cons. Invest. Fun $ ____
____ To Other: ____ $ ____

NOTES: Series 2018 A Bonds Reserve Account fully funded at closing with bond proceeds

FOR MUNICIPAL BOND COMMISSION USE ONLY:
DOCUMENTS REQUIRED:
TRANSFERS REQUIRED:

WV MUNICIPAL BOND COMMISSION
State Lottery Building
900 Pennsylvania Avenue, Suties 1117
Charleston, WV 25301
(304) 558-3971

NEW ISSUE REPORT FORM

Date of Report: 3/28/2018

ISSUE: City of Salem
Sewer Revenue Bonds, Series 2018 B (Bank Qualified)

ADDRESS: 229 W. Main St., Salem, WV 26426 COUNTY: Harrison

PURPOSE OF ISSUE:
New Money: X
Refunding:

ISSUE DATE: 3/28/2018
ISSUE AMOUNT: $2,255,000
1ST DEBT SERVICE DUE: 12/1/2018
1ST DEBT SERVICE AMOUNT see DSS

REFUNDS ISSUE(S) DATED:
CLOSING DATE: 3/28/2018
RATE: 3.0%-4.0%
1ST PRINCIPAL DUE 12/1/2018
PAYING AGENT: Municipal Bond Commission

BOND COUNSEL:
Firm: Steptoe & Johnson PLLC
Contact John Stump, Esquire
Phone: (304) 353.8196

CLOSING BANK:
Bank:
Contact:
Phone:

KNOWLEDGEABLE ISSUER CONTACT
Contact: Ronnie Davis
Position: City Manager
Phone: 304.476.6278

UNDERWRITERS COUNSEL
Firm: Bowles Rice
Contact: Cam Siegrist
Phone: 304.347.1129

ESCROW TRUSTEE:
Firm:
Contact:
Phone:

OTHER:
Agency: Crews & Associates, Inc.
69 Clay Street, Suite 202
Contact: Rob Steptoe
Position:
Phone: 304.276.5273

DEPOSITS TO MBC AT CLOSE
By: x Wire
Check

	Accrued Interest:	$
	Capitalized Interest:	$
x	Reserve Account:	$ 167,250.00
	Other:	$

REFUNDS & TRANSFERS BY MBC AT CLOSE
By: Wire
Check
IGT

	To Escrow Trustee	$
	To Issuer	$
	To Cons. Invest. Fun	$
	To Other:	$

NOTES: Series 2018 B Bonds reserve Account funded with Bond Proceeds at Closing

FOR MUNICIPAL BOND COMMISSION USE ONLY:
DOCUMENTS REQUIRED:
TRANSFERS REQUIRED:

SWEEP RESOLUTION

WHEREAS, the City of Salem (the "Issuer") is a governmental body and political subdivision of West Virginia;

WHEREAS, the Issuer has issued bonds, as more specifically set forth on Exhibit A, attached hereto and incorporated herein by reference (the "Bonds");

WHEREAS, the Issuer makes monthly debt service payments on the Bonds by check to the West Virginia Municipal Bond Commission (the "MBC") which in turn pays the owners of the Bonds and deposits funds in the reserve accounts;

WHEREAS, the MBC may accept such monthly payments by electronic funds transfer thereby eliminating delay in payments and lost checks;

WHEREAS, Pursuant to Chapter 13, Article 3, Section 5a, the MBC has established fees for its services (the "MBC Fee");

WHEREAS, the Issuer find and determines that it is in the best interest of the Issuer, its citizens and the owners of the Bonds that the monthly debt service and reserve fund payments be made by electronic transfer with the State Treasurer sweeping the Issuer's account.

NOW THEREFORE BE IT RESOLVED AS FOLLOWS:

1) The monthly debt service payments on the Bonds, as set forth in Exhibit A, along with the MBC Fee, shall be made to the MBC by electronic transfer by the State Treasurer form the accounts set forth in Exhibit A in such form and at such directions as are provided by the MBC.

2) The Mayor, City Manager and City Clerk are hereby authorized to sign and execute all such documents as are necessary to facilitate the electronic transfer of the Bond debt service and reserve fund payments.

3) This resolution shall be effective immediately upon adoption.

Adopted this 13th day of February, 2018.

CITY OF SALEM

Mayor

City of Salem
Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified); and
Sewer Revenue Bonds, Series 2018 B (Bank Qualified)

REGISTRAR AGREEMENT

THIS AGREEMENT, dated as of the 28th day of March, 2018, by and between the CITY OF SALEM, a municipal corporation and political subdivision of the State of West Virginia (the "Issuer"), and UNITED BANK, Charleston, West Virginia, a state banking corporation (the "Bank").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its $1,310,000 aggregate principal amount of Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified), (the "Series 2018 A Bonds") and its $2,255,000 aggregate principal amount of Sewer Revenue Bonds, Series 2018 B (Bank Qualified), (the "Series 2018 B Bonds") (collectively, the "Series 2018 Bonds"), in fully registered form pursuant to a Bond Ordinance enacted July 25, 2017, as supplemented by a Supplemental Parameters Resolution and Conformed Ordinance adopted February 13, 2018 and Certificate of Determinations dated March 8, 2018 (collectively, the "Bond Legislation");

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

WHEREAS, the Bond Legislation provides for an appointment by the Issuer of a Registrar for the Series 2018 Bonds; and

WHEREAS, the Issuer desires to appoint, and by the Bond Legislation and this Agreement does appoint the Bank to act as Registrar under the Bond Legislation and to take certain other actions hereinafter set forth;

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

1. Upon the execution of this Agreement by the Issuer and the Bank and during the term hereof, the Bank does accept and shall have and agrees to perform all of the powers and duties of Registrar, as set forth in the Bond Legislation, such duties including, among other things, the duties to authenticate, register and deliver the Series 2018 Bonds upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the excludability from gross income of interest on the Series 2018 Bonds for purposes of federal income taxation, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Issuer advises it of and with generally accepted industry standards.

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

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

4. As compensation for acting as Registrar pursuant to this Agreement, the Issuer hereby agrees to pay to the Bank, the compensation for services rendered as provided in the annexed fee schedule and reimbursement for reasonable expenses incurred in connection therewith.

5. It is intended that this Agreement shall carry out and implement provisions of the Bond Legislation with respect to the Registrar. In the event of any conflict between the terms of this Agreement and the Bond Legislation, the terms of the Bond Legislation shall govern.

6. The Issuer and the Bank each warrants and represents that it is duly authorized and empowered to execute and enter into this Agreement and that neither such execution nor the performance of its duties hereunder or under the Bond Legislation will violate any order, decree or agreement to which it is a party or by which it is bound.

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

ISSUER:
City of Salem
229 W. Main St.
Salem, West Virginia 26426

REGISTRAR:
United Bank
500 Virginia Street, East
Charleston, West Virginia 25301
Attention: Corporate Trust Department

8. The Bank is hereby requested and authorized to authenticate and deliver the Series 2018 Bonds in accordance with the Bond Legislation.

9. If any one or more of the covenants or agreements provided in this Agreement to be performed on the part of any of the parties hereto shall be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

10. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed in their respective names and on their behalf, all as of the day and year first above-written.

CITY OF SALEM

By: _____
Its: Mayor

UNITED BANK

By: _____
Its: Authorized Officer

EXHIBIT A

Bond Legislation

[See Transcript at Tabs 1-3 and Tab 5]

City of Salem
Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified); and
Sewer Revenue Bonds, Series 2018 B (Bank Qualified)

GENERAL CERTIFICATE OF THE CITY OF SALEM ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS
4. RATES
5. PUBLIC SERVICE COMMISSION ORDERS/APPROVALS
6. PUBLICATION OF NOTICES
7. AWARD OF BONDS; SIGNATURES
8. DELIVERY AND PAYMENT
9. CERTIFICATION OF DOCUMENTS
10. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
11. MEETINGS, ETC.
12. INCUMBENCY AND OFFICIAL NAME
13. PUBLICATION AND PUBLIC HEARING ON BOND ORDINANCE
14. SPECIMEN BONDS
15. NO FEDERAL GUARANTY
16. IRS INFORMATION RETURN
17. OFFICIAL STATEMENT CERTIFICATION
18. CERTIFICATIONS REGARDING BOND PURCHASE AGREEMENT
19. DESIGNATION OF REGISTRAR, PAYING AGENT AND DEPOSITORY BANK
20. CONTINUING DISCLOSURE CERTIFICATE
21. COUNTERPARTS

We, the undersigned MAYOR and CITY CLERK of the City of Salem, West Virginia (the "Issuer"), hereby certify this 28th day of March, 2018, in connection with the City of Salem Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified), dated March 28, 2018, issued in the original aggregate principal amount of $1,310,000 (the "Series 2018 A Bonds"); and Sewer Revenue Bonds, Series 2018 B (Bank Qualified), dated March 28, 2018, issued in the original aggregate principal amount of $2,255,000 (the "Series 2018 B Bonds"), (collectively, the "Series 2018 Bonds") as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined herein shall have the same meanings as set forth in the Bond Ordinance of the Issuer enacted July 25, 2017, as supplemented by a Supplemental Parameters Resolution and Conformed Ordinance adopted February 13, 2018 and Certificate of Determinations dated March 8, 2018 (collectively, the "Ordinance").

2. NO LITIGATION: Except as otherwise disclosed in the Official Statement, no controversy or litigation of any nature is now pending or, to the knowledge of any of the undersigned, threatened, restraining, enjoining or affecting in any manner the issuance, sale and delivery of the Series 2018 Bonds, the collection or use of the revenues of the System, or the respective pledge thereof to the payment of the principal of and interest on the Series 2018 Bonds, nor in any manner questioning the

proceedings and authority by which the Issuer authorized the issuance and sale of the Series 2018 Bonds, nor in any manner affecting the validity or enforceability of the Series 2018 Bonds, the Ordinance or the Bond Purchase Agreement, dated March 8, 2018 (the "Bond Purchase Agreement"), by and between the Issuer and Crews and Associates, Inc. (the "Underwriter") or any agreement or instrument relating thereto, used or contemplated by the Bond Purchase Agreement or any provisions made or authorized for the payment of the Series 2018 Bonds; nor in any manner questioning the valid existence of the Issuer or the authority or titles of the Mayor, City Manager, City Clerk and the members of the Council and other officials of the Issuer to their respective offices; nor in any manner questioning any proceeding, procedure, action or thing followed, taken or done in connection with the issuance, sale and delivery of the Series 2018 Bonds, which is not set forth in the Official Statement relating to the Series 2018 Bonds.

3. GOVERNMENTAL APPROVALS: All applicable approvals and certificates required by law for the refunding of the Series 1995 B Bonds and the acquisition and construction of the Project, operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Series 2018 Bonds, have been obtained as of the date hereof and remain in full force and effect.

4. RATES: The Issuer has duly enacted a sewer rate ordinance on April 4, 2011 which rates are in full force and effect.

5. PUBLIC SERVICE COMMISSION ORDERS/APPROVALS: The Project qualifies as an ordinary extension of an existing system in the usual course of business. As such a Certificate of Public Convenience and Necessity is not required.

6. PUBLICATION OF NOTICES: Notice of the public hearing upon the Ordinance was duly published as required by law. The Council of the Issuer enacted the Ordinance on February 25, 2017, and the Ordinance became fully effective 30 days from enactment and remains in full force and effect on the date hereof. The Ordinance was supplemented by a Supplemental Resolution adopted by the Issuer on February 13, 2018.

7. AWARD OF BONDS; SIGNATURES: The Series 2018 Bonds were awarded to the Underwriter upon a negotiated basis at the price of $3,536,192.10 (par amount of $3,565,000 plus net original issue premium in the amount of $42,492.10 less underwriter's discount of $71,300). As of the date hereof, the Series 2018 Bonds were duly signed by the manual signature of the Mayor, and the official seal of the Issuer, which seal is impressed upon this Certificate, was impressed or imprinted thereon and attested by the manual signature of the City Clerk.

8. DELIVERY AND PAYMENT: On the date hereof the undersigned Mayor did deliver to the Underwriter the entire issue of the Series 2018 A Bonds, numbered AR-1 and the entire issue of the Series 2018 B Bonds, numbered BR-1 to BR-5.

At the time of delivery of the Series 2018 Bonds, there was paid to the Issuer (or others, on behalf of the Issuer) the agreed price therefor as follows:

Par Amount of Series 2018 A Bonds	$1,310,000.00
Par Amount of Series 2018 B Bonds	2,255,000.00
Plus: Net Original Issue Premium	42,492.10
Less: Underwriter's Discount	(71,300.00)
Total	$3,536,192.10

9. CERTIFICATION OF DOCUMENTS: There are delivered herewith true and correct copies of the following documents, all which remain in full force and effect and have not been amended, modified, supplemented or repealed unless changed by the terms of other documents listed below:

Conformed Bond Ordinance

Supplemental Parameters Resolution

Bond Ordinance

Tax Certificate

Tax Compliance Policies

Certificate of Determinations

Specimen Series 2018 Bonds

City Charter

City Council Rules of Procedure

Oaths of Office of Councilmembers

Minutes on Enactment of Bond Legislation

Affidavit of Publication of Notice of Public Hearing

Sewer Rates

Preliminary Official Statement

Official Statement

Bond Purchase Agreement

Continuing Disclosure Certificate

Rule 15c-2-12 Certificate

DTC Blanket Letter of Representations

IRS Information Return (Form 8038-G)

Municipal Bond Commission New Issue Reports

Receipt and Release of Series 1995 B Bonds

10. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: Except as otherwise disclosed in the Official Statement, there has been no adverse change in the financial condition of the Issuer or the System since February 28, 2018.

11. MEETINGS, ETC.: All actions, ordinances, resolutions, orders and agreements taken by and entered into by or on behalf of the Issuer in any way connected with the issuance of the Series 2018 Bonds were authorized or adopted at meetings of the Council of the Issuer duly and regularly called and held pursuant to the City Charter and City Council Rules of Procedure, and all applicable statutes, including Chapter 6, Article 9A of the Official West Virginia Code of 1931, as amended, and a quorum of duly elected, qualified and acting members of the council was present and acting at all times during all such meetings.

12. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Issuer is the "City of Salem" and it is a municipal corporation of the State of West Virginia, in Harrison County of said state. The governing body of the Issuer is its Council, consisting of a Mayor and six council members. The names and terms of office of the members of Council and the Mayor are as follows:

Name	Commencement Date	Termination Date
James Robert Samples	07/01/2017	06/30/2021
Isaac Samples	07/01/2017	06/30/2021
John Golden	07/01/2017	06/30/2021
John Sinnett	07/01/2015	06/30/2019
Judith Davisson	07/01/2017	06/30/2021
Shawnette Stout	11/14/2017	06/30/2019
Nancy Siders	11/28/2017	06/30/2019

The duly appointed and acting Counsel to the Issuer is Harrold & Kramer, PLLC, doing business as Mountain State Law, Clarksburg, West Virginia.

13. PUBLICATION AND PUBLIC HEARING ON BOND ORDINANCE: Upon adoption of the Bond Ordinance, an abstract thereof, determined by the Council of the Issuer to contain sufficient information as to give notice of the contents thereof, was published once each week for 2 successive weeks, with not less than 6 full days between each publication, the first such publication occurring not less than 10 days before the date stated below for the public hearing, in the *Exponent-Telegram,* a newspaper of general circulation in the City of Salem, together with a notice to all persons concerned, stating that the Bond Ordinance had been adopted and that the Issuer contemplated the issuance of the Bonds described in such Ordinance, stating that any person interested may appear before the Council at the public hearing held at a public meeting of Council on the 25th day of July, 2017, at 6:00 p.m., in the Council Chambers of the City Hall of the City of Salem and present protests, and stating

that a certified copy of the Bond Ordinance was on file at the office of the City Clerk of the Issuer for review by interested parties during the office hours of the City Clerk. At such hearing all objections and suggestions were heard by the Council of the Issuer and the Bond Ordinance became finally adopted, enacted and effective as of the date of such public hearing, and remains in full force and effect.

14. SPECIMEN BONDS. Delivered concurrently herewith is a true and accurate specimen of the Series 2018 Bonds.

15. NO FEDERAL GUARANTY: The Series 2018 Bonds are not, in whole or part, and will not be, directly or indirectly, federally guaranteed within the meaning of Section 149(b) of the Code.

16. IRS INFORMATION RETURN: On the date hereof, the undersigned Mayor did officially sign a properly completed IRS Form 8038-G and will cause such executed Form 8038-G to be filed in a timely manner with the Internal Revenue Service Center, Ogden, Utah, with respect to the Series 2018 Bonds.

17. OFFICIAL STATEMENT CERTIFICATION: At and since the date of the Official Statement nothing has come to the attention of any signer hereof which would lead any such signer to believe that the Official Statement contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

18. CERTIFICATIONS REGARDING BOND PURCHASE AGREEMENT: In addition to the foregoing, the undersigned Mayor hereby certifies in connection with Section 6(c)(viii) of the Bond Purchase Agreement as follows: (1) the Issuer has duly performed all of the obligations to be performed at or prior to the Closing and that each of the representations and warranties contained in the Bond Purchase Agreement are true as of Closing, (2) the Issuer has authorized, by all necessary action, the execution, delivery, receipt and due performance of the Series 2018 Bonds, the Undertaking, the Ordinance and any and all such other agreements and documents as may be required to be executed, delivered and received by the Issuer in order to carry out, give effect to and consummate the transactions contemplated hereby and by the Official Statement, (3) to the best of my knowledge, no litigation is pending, or threatened, to restrain or enjoin the collection of the Gross Revenues, the pledge of the Net Revenues to the Series 2018 Bonds, the issuance or sale of the Series 2018 Bonds or in any way affecting any authority for or the validity of the Series 2018 Bonds or the Ordinance, (4) to the best of my knowledge following appropriate inquiry, the execution, delivery, receipt and due performance of the Series 2018 Bonds, the Undertaking, the Ordinance and the other agreements contemplated in the Bond Purchase Agreement and by the Official Statement under the circumstances contemplated therein and the Issuer's compliance with the provisions thereof will not conflict with or constitute on the Issuer's part a breach of or a default under any existing law, court or administrative regulation, decree or order or any agreement, indenture, mortgage, lease or other instrument to which the Issuer is subject or by which the Issuer is or may be bound and (5) I am not aware of any material non-compliance with the covenants in all outstanding Ordinances which authorized bonds secured by the Net Revenues of the System.

19. DESIGNATION OF REGISTRAR, PAYING AGENT AND DEPOSITORY BANK: The Issuer hereby confirms the appointment of (a) United Bank, Charleston, West Virginia, as Registrar, (b) West Union Bank, Salem, West Virginia, as Depository Bank and (c) West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent.

20. CONTINUING DISCLOSURE CERTIFICATE: The Issuer is obligated by the Continuing Disclosure Certificate and is in full compliance with all of its prior continuing disclosure undertakings entered into pursuant to the provisions of Rule 15c2-12(b)(5) excepting such matters as may be described in the Continuing Disclosure Section of the Official Statement

21. COUNTERPARTS: This Certificate may be executed in one or more counterparts, and all counterparts shall be deemed to be the Certificate.

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WITNESS our signatures and the official corporate seal of the CITY OF SALEM on the day and year first written above.

[SEAL]

Signature	Official Title
	Mayor
	City Clerk

City of Salem
Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified); and
Sewer Revenue Bonds, Series 2018 B (Bank Qualified)

TAX CERTIFICATE

The undersigned Mayor of the City of Salem (the "Issuer"), being the official of the Issuer duly charged with the responsibility for the issuance of $1,310,000 aggregate principal amount of its Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified) (the "Series 2018 A Bonds") and $2,255,000 aggregate principal amount of its Sewer Revenue Bonds, Series 2018 B (Bank Qualified) (the "Series 2018 B Bonds"), (collectively, the "Series 2018 Bonds") hereby certifies as set forth in this Tax Certificate, on March 28, 2018 (the "Tax Certificate"). The Series 2018 Bonds are being issued and delivered on March 28, 2018, pursuant to the Bond Ordinances enacted by the Issuer on July 25, 2017, as supplemented by the Supplemental Parameters Resolution and Conformed Ordinance adopted by the Issuer February 13, 2018 (collectively, the "Bond Legislation").

A. DEFINITIONS

Any capitalized word or term used herein shall have the meanings set forth in Exhibit D, but if not defined in Exhibit D shall have the meaning set forth in the Bond Legislation.

B. GENERAL

1. This certificate is being executed and delivered pursuant to Section 148 of the Code. I am an officer of the Issuer charged with the responsibility for issuing the Series 2018 Bonds. I am familiar with the facts, circumstances, and estimates herein certified and am duly authorized to execute and deliver this certificate on behalf of the Issuer.

2. This certificate may be relied upon as the certificate of the Issuer.

3. This Tax Certificate sets forth various facts regarding the Series 2018 Bonds and establishes the expectations of the Issuer as to future events regarding the Series 2018 Bonds and the use of the proceeds thereof. The certifications and representations made herein are intended, and may be relied upon, as a certification described in Regulations §1.148-2(b)(2). This Tax Certificate also sets forth certain terms and conditions relating to the restrictions on the use and investment of the proceeds of the Series 2018 Bonds in order that interest thereon will be excluded from gross income for Federal income tax purposes.

4. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on the date hereof, the date on which the Series 2018 Bonds are to be physically delivered in exchange for the issue price thereof, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

5. The Issuer has covenanted in the Bond Legislation that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Series 2018 Bonds which would cause the Series 2018 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without

limitation, the timely filing of a federal information return with respect to the Series 2018 Bonds), so that the interest on the Series 2018 Bonds will be and remain excluded from gross income for federal income tax purposes, and that it will not take any actions which would adversely affect such exclusion.

6. The Series 2018 Bonds were sold on March 28, 2018, to the Underwriter for a purchase price of $3,536,192.10 (par amount of $3,565,000, plus net original issue premium of $42,492.10 and less underwriter's discount of $71,300). No other obligations are (i) being sold at substantially the same time (within 15 days) as the Series 2018 Bonds, (ii) being sold pursuant to the same plan of financing, and (iii) are reasonably expected to be paid from substantially the same source of funds as the Series 2018 Bonds, determined without regard to guarantees from unrelated parties.

7. The Series 2018 Bonds are being delivered simultaneously with the delivery of this Tax Certificate and are issued for the following purposes:

(a) An amount of $1,201,882.83 is delivered to the United States Department of Agriculture to provide funds to currently refund the Issuer's outstanding Sewer Revenue Bonds, Series 1995 B, dated June 27, 1995, issued in the original aggregate principal amount of $2,000,000 (the "Series 1995 B Bonds");

(b) An amount of $1,977,221.99 will be deposited in the Project Fund to pay the costs of acquisition and construction of improvements to the existing sewerage system (the "Project");

(c) An amount of $120,200 will be deposited in the Series 2018 A Bonds Reserve Account to fund Series 2018 A Bonds Reserve Account;

(d) An amount of $167,250 will be deposited in the Series 2018 B Bonds Reserve Account to fund the Series 2018 B Reserve Account; and

(e) An amount of $69,637.28 will be deposited in the Cost of Issuance Fund to pay certain costs of issuance of the Series 2018 Bonds and related costs.

8. The proceeds of the Series 2018 Bonds and amount from the Series 1995 B Bonds Reserve Account are as follows:

SOURCES	
Par Amount of the Series 2018 A Bonds	$1,310,000.00
Par Amount of the Series 2018 B Bonds	2,255,000.00
Series 1995 B Bonds DSR Fund	110,380.15
Net Original Issue Premium	42,492.10
Total	$3,717,872.25

9. The proceeds of the Series 2018 Bonds and amount from the Series 1995 B Bonds Reserve Account will be applied as follows:

USES	
Refund the Series 1995 B Bonds	$1,312,262.98
Costs of Acquisition & Construction of the Project	1,977,221.99
Series 2018 A Bonds Reserve Account	120,200.00
Series 2018 B Bonds Reserve Account	167,250.00
Underwriter's Discount	71,300.00
Costs of Issuance for 2018 Bonds/Rounding	69,637.28
Total	$3,717,872.25

10. The Underwriter has certified in the Issue Price Certificate, dated the date hereof, a copy of which is attached hereto as EXHIBIT A (the "Issue Price Certificate"), that the Series 2018 Bonds have been offered, and a substantial amount of each maturity (at least 10%) thereof sold, to purchasers other than bond houses, brokers or other intermediaries, at the initial respective offering prices shown on the inside cover page of the Official Statement for the Series 2018 Bonds.

11. The yield on the Series 2018 Bonds, as so computed and certified by the Underwriter, has been determined to be 3.6951% (the "Bond Yield"), based on a "purchase price" equal to the Issue Price for the Series 2018 Bonds.

12. For purposes of determining whether the Series 2018 Bonds are private activity bonds, the Issuer makes the following representations. For this purpose, the proceeds of the Series 2018 Bonds used for refunding purposes are treated in the same manner as the proceeds of the Bonds to be Refunded.

(i) Not more than ten percent (10%) of the proceeds of the Series 2018 Bonds will be used, directly or indirectly, to replace funds which were used in any business carried on by any person other than a state or local governmental unit.

(ii) Not more than ten percent (10%) of the payment of principal of or interest on the Series 2018 Bonds and the Bonds to be Refunded will, during the Combined Measurement Period, be, directly or indirectly, (A) secured by any interest in (1) property used or to be used for a private business use by any person other than a state or local governmental unit, or (2) payments in respect of such property, or (B) derived from payments (whether or not to the Issuer), in respect of property, or borrowed money, used or to be used for a private business use by any person other than a state or local governmental unit.

(iii) Not more than five percent (5%) of the proceeds of the Series 2018 Bonds will be used, directly or indirectly, to make or finance loans to persons other than a state or local governmental unit.

(iv) The Project will not over the Combined Measurement Period be used in such a manner that more than ten percent (10%) of the proceeds of the Series 2018 Bonds will be used in the trade or business of a nongovernmental person. No user of the Project other than a state or local governmental unit has or will during the Combined Measurement Period use more than ten percent (10%) of such facilities on any basis other than the same basis as the general public, and no person other than a state or local governmental unit will be a user of more than ten percent (10%) of such facilities as a result

of (A) ownership, (B) actual or beneficial use pursuant to a lease or a management or incentive payment contract, or (C) any other similar arrangement.

C. THE SERIES 2018 BONDS

1. The principal amounts, interest rates, interest and principal payment dates, and debt service with respect to the Series 2018 Bonds are detailed in the Issuer's Certificate of Determinations attached hereto as EXHIBIT E.

2. A Sinking Fund for the Series 2018 A Bonds is created under the Bond Legislation. Monies deposited in the Series 2018 A Bonds Sinking Fund, including subsequent deposits thereto, will be spent within a 13-month period beginning on the date of deposit and will be depleted at least once a year, except for a reasonable carryover amount not in excess of one twelfth (1/12th) of the annual debt service on the Series 2018 A Bonds. The Series 2018 A Bonds Sinking Fund is designed to achieve a proper matching of the Issuer's revenues and debt service on the Series 2018 A Bonds within each Bond Year. All monies held in the Series 2018 A Bonds Sinking Fund will be used to pay debt service on the Series 2018 A Bonds. The Series 2018 A Bonds Sinking Fund qualifies as a Bona Fide Debt Service Fund and all monies in the Series 2018 A Bonds Sinking Fund will be invested without restriction as to yield and are not subject to rebate.

3. A Sinking Fund for the Series 2018 B Bonds is created under the Bond Legislation. Monies deposited in the Series 2018 B Bonds Sinking Fund, including subsequent deposits thereto, will be spent within a 13 month period beginning on the date of deposit and will be depleted at least once a year, except for a reasonable carryover amount not in excess of one twelfth (1/12th) of the annual debt service on the Series 2018 B Bonds. The Series 2018 B Bonds Sinking Fund is designed to achieve a proper matching of the Issuer's revenues and debt service on the Series 2018 B Bonds within each Bond Year. All monies held in the Series 2018 B Bonds Sinking Fund will be used to pay debt service on the Series 2018 B Bonds. The Series 2018 B Bonds Sinking Fund qualifies as a Bona Fide Debt Service Fund and all monies in the Series 2018 B Bonds Sinking Fund will be invested without restriction as to yield and are not subject to rebate.

4. A Series 2018 A Bonds Reserve Account and Series 2018 B Bonds Reserve Account are created under the Bond Legislation for the Series 2018 A Bonds and Series 2018 B Bonds respectively.

5. Pursuant to §1.150.1-1(c)(1) of the Regulations the Series 2018 A Bonds and Series 2018 B Bonds are considered one bond issue; therefore, the combined amounts in the respective reserve accounts shall meet the size limitation for a reasonably required reserve fund pursuant to §1.148-2(f)(2)(ii) of the Regulations which is equal to the least of (i) 10% of the original principal amount of the Series 2018 Bonds ($356,500), (ii) Maximum Annual Debt Service on the Series 2018 Bonds ($287,450), or (iii) 125% of average annual Debt Service on the Series 2018 Bonds ($312,787.23). The Series 2018 A Bonds Reserve Account is funded in the amount of $120,200 which is equal to the maximum annual debt service on the Series 2018 A Bonds (the "Series 2018 A Bonds Reserve Account Requirement") and the Series 2018 B Bonds Reserve Account is funded in the amount of $167,250 which is slightly less than the maximum annual debt service on the Series 2018 B Bonds ($168,600) (the "Series 2018 B Bonds Reserve Account Requirement") in order to result in a total combined reserve amount of $287,450 which is the maximum allowed pursuant to §1.148-2(f)(2)(ii) of the Regulations.

6. A Renewal and Replacement Fund is created, or continued, under the Bond Legislation, to be funded through monthly deposits of Revenues in an amount equal to 2.5% of the Gross Revenues of the System. Absent an Event of Default on the Series 2018 Bonds, and depletion in full of

the Reserve Account, the Renewal and Replacement Fund is not expected to be used for the purpose of paying Debt Service on the Series 2018 Bonds. Such monies will be invested without restriction as to yield and are not subject to rebate.

7. A Redemption Account for the Series 2018 Bonds is created under the Bond Legislation. In the event monies are deposited into the Redemption Account, to the extent they are not part of a Bona Fide Debt Service Fund, they will, to the extent the yield thereon exceeds the yield on the Series 2018 Bonds, be subject to rebate. Otherwise, they will be invested without restriction as to yield and are not subject to rebate.

8. A Costs of Issuance Fund is created under the Bond Legislation to be funded from proceeds of the Series 2018 Bonds in the amount of $69,637.28. The Costs of Issuance include only those amounts directly related to the costs of issuance, sale and delivery of the Series 2018 Bonds. All such amounts shall be fully expended within 6 months from the date hereof. Pending such disbursement, such monies will be invested without restriction as to yield and are not subject to rebate.

9. Other than the funds and accounts described above, there are no other funds or accounts of the Issuer which (i) are reasonably expected to be used to pay Debt Service on the Series 2018 Bonds or which are pledged as collateral to secure repayment of Debt Service thereon and (ii) for which there is a reasonable assurance that amounts therein will be available to pay Debt Service on the Series 2018 Bonds.

10. Accrued interest, if any, with respect to the Series 2018 Bonds in an amount less than 6 month's interest on the Series 2018 Bonds may be applied within one year from the date hereof toward the payment of interest first due on the Series 2018 Bonds, as detailed in the Schedules. There is no pre-issuance accrued interest on the Series 2018 Bonds.

11. No portion of the Series 2018 Bonds is being issued solely for the purpose of investing the proceeds at a yield higher than the yield on the Series 2018 Bonds or to replace funds which were used, directly or indirectly, to acquire investments with a yield higher than the yield on the Series 2018 Bonds.

12. The Issuer certifies, warrants and covenants that the Series 2018 Bonds are not and will not be part of a transaction or series of transactions that (i) attempts to circumvent the provisions of Section 148 of the Code and the related Regulations, thereby enabling the Issuer to exploit the difference between tax-exempt and taxable interest rates to obtain a material financial advantage; and (ii) overburdens the tax-exempt bond market in any manner, including, without limitation, issuing more bonds, issuing bonds earlier, or allowing them to remain outstanding longer than is otherwise reasonably necessary to accomplish the governmental purposes of the Series 2018 Bonds.

D. REBATE

1. Expenditure of Series 2018 Bonds. The proceeds of the Series 2018 Bonds, after refunding the Series 1995 B Bonds, funding the Series 2018 A Bonds Reserve Account and Series 2018 B Bonds Reserve Account and paying Costs of Issuance as drawn down will be deposited in the Project Fund and applied solely to payment of the Project. The Issuer reasonably expects that (i) it will incur a binding obligation to a third party to expend at least 5% of the net sale proceeds of the Series 2018 Bonds within 6 months following the date of issuance of the Series 2018 Bonds, (ii) completion of the design of the betterments and improvements will proceed with due diligence, and (iii) it will expend at least 85% of the net sales proceeds for such costs within 3 years of the date of issuance of the Series 2018 Bonds.

2. Rebate Fund; Calculation of Rebate Amount.

(a) Section 148(f) of the Code requires the payment to the United States of the excess of the amount earned on the investment of Gross Proceeds in Nonpurpose Investments over the amount that would have been earned on such investments had the amount so invested been invested at a rate equal to the Bond Yield, together with any income attributable to such excess. Except as provided below, and as previously set forth as excepted in Section C hereof, all other funds or accounts treated as containing Gross Proceeds are subject to this requirement.

(b) Pursuant to the Bond Legislation, the Issuer has created the Rebate Fund. On or before 45 days following each Computation Date, an amount shall be deposited into the Rebate Fund by the Issuer so that the balance held in the Rebate Fund shall equal the aggregate Rebate Amount due as of the Rebate Payment Date following such Computation Date. Monies so deposited shall be derived from the Issuer's own funds.

(c) On each Valuation Date, the Issuer agrees to value the Nonpurpose Investments allocable to the Series 2018 Bonds thereunder in accordance with the Regulations. Notwithstanding anything herein to the contrary, the failure to perform the determination of Nonpurpose Investments allocable to the Series 2018 Bonds as of a Valuation Date shall not be considered a violation of this provision if the application of the Universal Cap would not result in a reduction or reallocation of Gross Proceeds of an issue.

(d) To meet the rebate requirements of Section 148(f) of the Code, the Issuer (or the Rebate Analyst described in Section D.3. hereof) agrees and covenants to take the following actions:

(i) For each investment of (*x*) amounts held in the Reserve Account, and (*y*) any other monies held by the Issuer which constitute Gross Proceeds, the Issuer shall record the purchase date of such investment, its purchase price, accrued interest due on its purchase date, its face amount, its coupon rate, the frequency of its interest payment, its disposition price, accrued interest due on its disposition date and its disposition date.

(ii) For each Installment Computation Date with respect to Rebate Amounts specified in paragraph (iii) below, the Issuer shall compute the Yield on the Series 2018 Bonds as required by the Code and Regulations. If any of the Series 2018 Bonds are redeemed prior to their scheduled maturity, the Issuer agrees to seek the advice of Bond Counsel or other rebate expert to recompute the Yield on the Series 2018 Bonds as required by the Regulations.

(iii) For each Computation Date, the Issuer shall determine the amount of earnings received on all Nonpurpose Investments described in paragraph (i) above that are allocable to Gross Proceeds of the Series 2018 Bonds. In addition, where Nonpurpose Investments are retained by the Bond Commission after retirement of the Series 2018 Bonds, any unrealized gains or losses as of the date of retirement of the Series 2018 Bonds must be taken into account in calculating the earnings on such Nonpurpose Investments to the extent required by the Regulations.

(iv) In determining the Nonpurpose Investments that are allocable to Gross Proceeds of the Series 2018 Bonds, the Issuer shall consider the allocation rules set forth in the Regulations, including the rules relating to the Universal Cap, as set forth in Regulations §1.148-6(b)(2). In general, the Universal Cap represents the maximum value of Nonpurpose Investments that may be allocated to an issue of bonds and is determined by reference to the Value of all the outstanding bonds of the issue.

(v) For each Computation Date, the Issuer shall calculate for each Nonpurpose Investment described in paragraph (iii) above, an amount equal to the earnings which would have been received on such Nonpurpose Investment at an interest rate equal to the Yield on the Series 2018 Bonds as described in paragraph (ii) above. The method of calculation shall follow that set forth in the Regulations.

(vi) In determining the amount of any rebate computed pursuant to this section, all earnings on any Bona Fide Debt Service Fund to the extent such earnings do not exceed $100,000 in any Bond year shall not be taken into account.

(vii) For each Computation Date, the Issuer shall calculate the Rebate Amount (computed from the Issue Date of the Series 2018 Bonds to each such Computation Date) by any appropriate method provided in the Code and Regulations that is applicable to the Series 2018 Bonds, taking into account any computation credit allowed thereunder. In determining the Rebate Amount, the Issuer shall account for the amounts determined under paragraphs (iii), (iv), and (v) above.

(viii) If the Rebate Amount exceeds the amount on deposit in the Rebate Account, the Issuer shall immediately pay that amount, or cause that amount to be paid, into the Rebate Account.

3. Payment to United States. (a) Installment Computation Dates. Unless the Series 2018 Bonds are redeemed prior to such time, the Issuer shall pay to the United States, not later than sixty (60) days after each Installment Computation Date, an amount which, when added to all previous rebate payments made with respect to the Series 2018 Bonds, is equal to not less than ninety percent (90%) of the Rebate Amount (computed from the date of issuance of the Series 2018 Bonds to each such Installment Computation Date).

(b) Final Computation Date. The Issuer shall pay to the United States, not later than sixty (60) days after the last outstanding Series 2018 Bonds are paid or redeemed, one hundred percent (100%) of the Rebate Amount for the Final Computation Date (computed from the date of issuance of the Series 2018 Bonds to the Final Computation Date).

(c) Mailing of Rebate Payment. Each Payment of an installment shall be mailed to the Internal Revenue Service Center, Internal Revenue Service Center, Ogden, Utah 84201-0027, or such other address for such purpose published by the Internal Revenue Service. Each payment shall be accompanied by (i) a copy of IRS Form 8038-T, and (ii) the CUSIP number for the Series 2018 Bond with the latest maturity.

(d) Excess Balance in Rebate Fund; Excess Rebate Payments. If on the Rebate Payment Date the balance on deposit in the Rebate Fund is in excess of the Rebate Amount attributable to the Series 2018 Bonds, such excess may be withdrawn by the Issuer from the Rebate Fund. The Issuer may direct that any overpayment of rebate may be recovered from any rebate payment previously made to the United States under any procedure that may be permitted by the Code or the Regulations.

(e) Recordkeeping. In connection with the rebate requirement, the Issuer shall maintain (or cause to be maintained) the following records:

(i) The Issuer shall record all amounts paid to the United States pursuant to Section E(2) hereof.

(ii) The Issuer shall retain records of the rebate calculations until three years after the Final Computation Date.

(iii) The Issuer shall keep and record the data described in section E(1)(c) hereof pertaining to the investment of the proceeds of the Series 2018 Bonds until six years after the Final Computation Date.

4. Rebate Analyst. (a) A Rebate Analyst shall be appointed to perform the rebate calculations, as required herein.

(b) The Issuer may rely conclusively upon the opinions, calculations, determinations, directions and advice of the Rebate Analyst. The charges and fees for such Rebate Analyst shall be paid by the Issuer upon presentation of an invoice for services rendered in connection therewith.

5. Failure to Pay Rebate Amounts. In the event the Issuer fails to pay at the proper time and in the proper amounts, any Rebate Amount, it will pay the rebate amount plus interest within 180 days after discovery of such failure as set forth in Section 1.148-3(h)(3) of the Regulations. Notwithstanding the foregoing, in the event the Issuer fails to pay at the proper time and in the proper amount any Rebate Payment or correction amount, it hereby covenants and agrees to pay any penalty required by Internal Revenue Service in lieu of a declaration of taxability on the Series 2018 Bonds.

6. No Transferred Proceeds. Other than transfers from the debt service funds and debt service reserve funds for the Bonds to be Refunded which will be used on December 1, 2018 to pay a portion of the costs of redeeming the Bonds to be Refunded, there are no remaining unspent proceeds of the Bonds to be Refunded that will become transferred proceeds of the Series 2018 Bonds.

E. MISCELLANEOUS

1. The Issuer shall file Form 8038-G in a timely fashion with the Internal Revenue Service Center, Ogden, Utah. For purposes of filing the Form 8038-G with the Internal Revenue Service, the Issuer's EIN is 55-6000248. The Form 8038-G attached hereto as EXHIBIT B is, to the best of my knowledge, true and correct, and may be relied upon by Bond Counsel.

In order to perform the calculations required by the Code, it is necessary to track separately all of the Gross Proceeds. To that end, the Issuer hereby agrees to instruct the Bond Commission to establish separate funds, accounts or subaccounts or to take other accounting measures in order to account fully for all Gross Proceeds.

2. The Issuer agrees to continue to monitor the use of the facilities and the expenditure of proceeds of the Series 2018 Bonds in order to ensure compliance with the relevant tax rules and regulations required so that the interest on the Series 2018 Bonds will be excluded from gross income for federal income tax purposes. The Issuer will use the compliance policies attached hereto as EXHIBIT C. The Issuer further agrees and understands that if the Tax Exempt Rules are not complied with, the Issuer, in consultation with Bond Counsel, may use (i) the remedial actions set forth in Regulations §1.141-12, or (ii) the voluntary closing agreement process of the Internal Revenue Service in order to bring the Series 2018 Bonds into compliance with the Tax-Exempt Rules.

3. None of the proceeds of the Series 2018 Bonds will be used (directly or indirectly) in any trade or business carried on by, or will be used to make or finance loans to, any person who is not a governmental unit.

4. The original proceeds of the Series 2018 Bonds will not exceed the amount necessary for the governmental purposes thereof.

5. The Issuer shall not permit at any time or times any of the proceeds of the Series 2018 Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Series 2018 Bonds from treatment afforded by Section 103(a) of the Code by reason of classification of the Series 2018 Bonds as "private activity bonds" within the meaning of the Code.

6. The Series 2018 Bonds are not, and will not be, in whole or part, directly or indirectly, federally guaranteed within the meaning of Section 149(b) of the Code.

7. The Issuer has not entered and will not enter into any transaction to reduce the Yield on an investment of the Gross Proceeds of the Series 2018 Bonds so as to cause the amount to be rebated to the United States Treasury to be less than it would have been had the transaction been at arm's length and the Yield on the Series 2018 Bonds not been relevant to either party to the transaction, and that all investments of Gross Proceeds will be made on an arm's length, Fair Market Value basis.

8. No portion of the proceeds of the Series 2018 Bonds will be used directly or indirectly to replace funds of the Issuer or other related governmental agency that have been used directly or indirectly to acquire securities or obligations which may reasonably be expected, on the date hereof, to produce a yield materially higher than the Yield on the Series 2018 Bonds.

9. In connection with the Series 2018 Bonds, there has not been created or established, and the Issuer does not expect that there will be created or established, any sinking fund, pledged fund or similar fund (other than as specifically identified in this Tax Certificate), including without limitation any arrangement under which money, securities, or obligations are pledged directly or indirectly to secure the Series 2018 Bonds or any contract securing the Series 2018 Bonds or any arrangement providing for compensating, or minimum balances to be maintained by the Issuer or related governmental agencies with, any registered owner of the Series 2018 Bonds.

10. The Series 2018 Bonds are not and will not be part of a transaction or series of transactions that (i) attempt to circumvent the provisions of Section 148 of the Code, or any successor thereto, and the Regulations promulgated thereunder which enable the Issuer to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage; or (ii) increase the burden on the market for tax-exempt obligations in any manner, including, without limitation, by selling obligations that would not otherwise be sold or selling a larger amount of obligations, or issuing them sooner, or allowing them to remain outstanding longer, than would otherwise be necessary.

11. The Issuer will rebate to the United States the amount, if any, required by the Code and to take all steps necessary to make such rebates. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and other amounts from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, and take all other actions required of it in order to maintain the exclusion of interest on the Series 2018 Bonds from gross income for federal income tax purposes.

12. The Issuer has retained the right to amend the Bond Legislation authorizing the issuance of the Series 2018 Bonds if such amendment is necessary to assure compliance with Section 148(f) of the Code or as may otherwise be necessary to assure the exclusion of interest on the Series 2018 Bonds from the gross income of the holders thereof. In addition, and notwithstanding any other provision hereof, any provision of this Tax Certificate shall be amended at any time and such amendment shall be complied with, upon receipt by the Issuer of an opinion of Bond Counsel that such amendment is necessary or permissible under the then current Code and Regulations and is either necessary to or will not adversely affect the excludability of interest on the Series 2018 Bonds from gross income of the recipients thereof for federal income tax purposes.

13. The Issuer covenants and agrees to comply with the rebate requirements of the Code if not exempted therefrom, and with all other requirements of the Code necessary, proper or desirable to maintain the tax-exemption of the interest on the Series 2018 Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 2018 Bonds as may be necessary in order to fully comply with Section 148(f) of the Code. The Issuer covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of the Bond Legislation.

14. The City has designated the par amount of the Series 2018 Bonds, $3,565,000, as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Code. The Series 2018 Bonds do not constitute private activity bonds as defined in Section 141 of the Code, and not more than $10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income tax purposes (excluding, however, obligations described in Section 265(b)(3)(C)(ii) of the Code), including the Series 2018 Bonds, have been or shall be issued by the City, including all subordinate entities of the City, during the calendar year 2018.

15. For purposes of complying with Regulations §1.148-2(b), an officer of the Issuer must certify the issuer's expectations as of the issue date. In accordance therewith, the undersigned Mayor of the Issuer hereby in good faith certifies that the representations and covenants set forth in this Certificate constitute the reasonable expectations of the Issuer as of the Issue Date. Accordingly, the representations and covenants set forth herein are intended and may be relied upon as the certification described in Regulations §1.148-2(b) and are being delivered as part of the record of proceedings in connection with the issuance of the Series 2018 Bonds.

16. To the best of my knowledge, information and belief there are no other facts, estimates and circumstances which would materially change the representations, expectations, covenants, certifications and statements herein expressed.

17. Steptoe & Johnson PLLC is entitled to rely upon the representations, expectations, covenants, certifications and statements contained herein in rendering its opinions with respect to the issuance, sale and delivery of the Series 2018 Bonds, including its opinions regarding the exclusion of interest on the Series 2018 Bonds from gross income for federal income tax purposes.

WITNESS my signature the day and year first written above.

CITY OF SALEM

By: _____
Its: Mayor

EXHIBIT A

ISSUE PRICE CERTIFICATE

[Included in Transcript as Document No. 30]

EXHIBIT B

IRS FORM 8038-G

[Included in Transcript as Document No. 39]

EXHIBIT C

TAX COMPLIANCE POLICIES

[Included in Transcript as Document No. 28]

EXHIBIT D

DEFINITIONS

The following words and phrases shall have the following meanings or such other meanings as may be required under the Code or the Regulations.

"**Bona Fide Debt Service Fund**" means a fund which may include proceeds of an issue, that:

(a) Is used primarily to achieve a proper matching of revenues with principal and interest payments within each Bond Year; and

(b) Is depleted at least once each Bond Year, except for a reasonable carryover amount not to exceed the greater of:

(i) the earnings on the fund for the immediately preceding Bond Year; or

(ii) one-twelfth ($1/12^{th}$) of the principal and interest payments on the Series 2018 Bonds for the immediately preceding Bond Year.

"**Bond Counsel**" means the law firm or firms delivering its or their approving opinion or opinions with respect to the issuance of the Series 2018 Bonds and the exclusion of interest on the Series 2018 Bonds from gross income for the purposes of federal income taxation.

"Bonds to be Refunded" means the Series 1995B Bonds.

"**Bond Year**" means the 12-month period beginning on the anniversary of the Closing Date in each year and ending on the day prior to the anniversary date of the Closing Date in the following year, or such other period as shall be determined by the Issuer, except that the first Bond Year shall begin on the Closing Date.

"**Bond Yield**" means the yield of the Series 2018 Bonds, calculated in accordance with the provisions of Regulations §1.148-4. (*See* Sections B.11. and B.12. hereof.)

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

"Combined Measurement Period" means the period beginning on June 27, 1995 (the date of issuance of the Series 1995 B Bonds) and ending on December 1, 2032 (the maturity date of the Series 2018 A Bonds).

"**Computation Date**" means each Installment Computation Date and the Final Computation Date.

"**Costs of Issuance**" means all costs incurred in connection with the issuance of the Series 2018 Bonds within the meaning of Section 147(g) of the Code. Examples of costs of issuance include (but are not limited to):

(a) underwriter's spread (whether realized directly or derived through purchase of the Series 2018 Bonds at a discount below the price at which a substantial number of Series 2018 Bonds are sold to the public);

(b) counsel fees (including Bond Counsel, Underwriters' Counsel, Issuer's Counsel, and any other specialized counsel fees incurred in connection with the issuance of the Series 2018 Bonds);

(c) financial advisor fees incurred in connection with the issuance of the Series 2018 Bonds;

(d) trustee fees and registrar fees;

(e) paying agent, disbursement agent, and certifying and authenticating agent fees related to issuance of the Series 2018 Bonds;

(f) accountant fees related to issuance of the Series 2018 Bonds;

(g) printing costs (for the Series 2018 Bonds and of preliminary and final offering materials); and

(h) costs incurred in connection with any required public approval process (*e.g.,* publication costs for public notices generally and costs of the public hearing or voter referendum).

"**Discharged**" means, with respect to any Bond, the date on which all amounts due with respect to such Bond are actually and unconditionally due if cash is available at the place of payment, and no interest shall accrue with respect to the Bond after such date.

"**Fair Market Value**" of an Investment means as follows:

(a) In General. Except as specifically otherwise provided below, the Fair Market Value of an Investment is the price at which a willing buyer would purchase the Investment from a willing seller in a bona fide arm's length transaction. The Fair Market Value of an Investment that is purchased directly from the United States Treasury is its purchase price.

(b) Safe Harbor for Establishing Fair Market Value for Guaranteed Investment Contracts and Investments Purchased for a Yield Restricted Defeasance Escrow. The purchase price of a guaranteed investment contract is treated as its Fair Market Value on the purchase date if -

(i) The institution makes a bona fide solicitation for a specified guaranteed investment contract and reserves at least three (3) bona fide bids from providers that have no material financial interest in the issue (*e.g.,* as underwriters or brokers);

(ii) The institution purchases the highest yielding guaranteed investment contract for which a qualifying bid is made (determined net of broker's fees);

(iii) The yield on the guaranteed investment contract (determined net of broker's fees) is not less than the yield then available from the provider on reasonably comparable guaranteed investment contracts, if any, offered to persons from a source of funds other than gross proceeds of tax exempt bonds;

(iv) The determination of the terms of the guaranteed investment contract takes into account as a significant factor the Issuer's reasonably expected draw-down schedule for the amounts to be invested, exclusive of amounts deposited in debt service funds and reasonably required reserve or replacement funds;

(v) The terms of the guaranteed investment contract, including collateral security requirements, are reasonable; and

(vi) The obligor on the guaranteed investment contract certifies the administrative costs that it is paying (or expects to pay) to third parties in connection therewith.

(c) Safe Harbor for Establishing Fair Market Value for Certificates of Deposit. The Fair Market Value of a certificate of deposit is its purchase price if it has a fixed rate of interest, a fixed payment schedule, and a substantial penalty for early withdrawal and the yield on the certificate of deposit is not less than (i) the yield on reasonably comparable direct obligations of the United States; and (ii) the highest yield that is published or posted by the provider to be currently available on reasonably comparable certificates of deposit offered to the public.

"**Final Computation Date**" means the date on which the last Bond is Discharged.

"**Future Value**" means the amount determined by using the following formula:

$FV = PV(1+i)^n$

where:

FV = The future value of the nonpurpose receipt or payment at the end of the interval. Each interval ends on the last day of a compounding interval. The compounding interval is the same compounding interval used in computing the Bond Yield.

PV = The future value of the nonpurpose receipt or payment at the beginning of the interval, or the amount thereof if the computation is for the first interval. The first interval begins on the date the nonpurpose receipt or payment is actually or constructively received or paid (or otherwise is taken into account). The amount of every nonpurpose receipt and payment with respect to an issue that is taken into account at

the beginning of the first interval may be rounded to the nearest whole dollar.

i = The Bond Yield during the interval (expressed as a decimal) divided by the number of compounding intervals in a year.

^{n} = A fraction, the numerator of which is the length of the interval and the denominator of which is the length of a whole compounding interval.

"**Gross Proceeds**" means Proceeds and Replacement Proceeds of the Series 2018 Bonds within the meaning of the Regulations.

"**Installment Computation Date**" means the last day of the fifth Bond Year and each succeeding fifth Bond Year.

"**Investment**" means any security, obligation, annuity contract, or investment type property as defined in Section 148(b) of the Code.

"**Investment Proceeds**" means any amounts actually or constructively received from investing Proceeds of an issue of bonds.

"**Issue Date**" means March 28, 2018.

"**Issue Price**" means $3,607,492.10 being the Issue Price of the Series 2018 Bonds. (*See* Section B.10. hereof.)

The Issue Price is the initial offering price to the public at which price a substantial amount of the Series 2018 Bonds is sold. For this purpose, ten percent (10%) is a substantial amount, and the term "the public" does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers. The Issue Price generally is the first price at which the Series 2018 Bonds are sold to the public, and the issue price will not change if part of the issue is subsequently sold at a different price. The Issue Price of Series 2018 Bonds that are not substantially identical is determined separately. The Issue Price of a bond issue for which a bona fide public offering is made is determined as of the sale date based on reasonable expectations regarding the initial public offering price. The Issue Price of the Series 2018 Bonds may not exceed their fair market value as of the sale date.

"**Net Sale Proceeds**" means Sale Proceeds less the amount of those Sale Proceeds invested in a reasonably required reserve or replacement fund under Section 148(d) of the Code and as part of a minor portion under Section 148(e) of the Code.

"**Nonpurpose Investment**" means any Investment that is not acquired to carry out the governmental purpose of an issue.

"**Payment**" means a payment as defined in Regulations §1.148-3(d) for purposes of computing the Rebate Amount, and a payment as defined in Regulations §1.148-5(b) for purposes of computing the Yield on an Investment.

"**Present Value**" means the amount determined by using the following formula:

$$PV = \frac{FV(1+i)^n}{(1+i)^n}$$

where i equals the discount rate divided by the number of compounding intervals in a year and n equals the sum of (i) the number of whole compounding intervals for the period ending on the date as of which the Future Value is determined and (ii) a fraction the numerator of which is the length of any short compounding interval during such period and the denominator of which is the length of a whole compounding interval.

"**Present Value of an Investment**" means the value of an investment computed under the economic accrual method; using the same compounding interval and financial conventions used to compute the yield on the Series 2018 Bonds. On any valuation date, the Present Value of an Investment is equal to the Present Value of all unconditionally payable receipts to be received from the payments to be paid for the investment after that date, using the Yield on the Investment as the discount rate.

"**Proceeds**" means any Sale Proceeds and Investment Proceeds of an issue of bonds. Proceeds do not include amounts that are actually or constructively received that with respect to an Investment that is acquired for the governmental purpose of an issue that are properly allocable to the immaterially higher yield under Regulations §1.148-2(d) or Section 143(g) of the Code or to qualified administrative cost recoverable under Regulations §1.148-5(e).

"Project" means collectively the improvements financed with the proceeds of the Series 2018 B Bonds.

"**Rebate Amount**" means, in respect of the Series 2018 Bonds, the amount determined pursuant to the Code and Regulations in accordance with Section E.1. hereof. Generally, under the Regulations, the rebate amount, as of any date, equals the excess of the Future Value of all Receipts with respect to Nonpurpose Investments allocated to the Gross Proceeds of the Series 2018 Bonds over the Future Value of all the Payments with respect to such Nonpurpose Investments computed in accordance with the Regulations.

"**Rebate Analyst**" means the entity or person chosen by the Issuer in accordance with Section E.3. hereof to determine the Rebate Amounts.

"**Rebate Payment Date**" means the date following a Computation Date on which the Rebate Amount is mailed or otherwise filed with the Internal Revenue Service. The Rebate Payment Date cannot be a date which is more than 60 days after a Computation Date.

"**Receipt**" means a receipt as defined in Regulations §1.148-3(d) for purposes of computing the Rebate Amount, and a receipt as defined in Regulations §1.148-5(b) for purposes of computing Yield on an Investment.

"**Regulation**" or "**Regulations**" means the temporary, proposed or final Income Tax Regulations promulgated pursuant to Sections 103 and 141 through 150 of the Code, including those Income Tax Regulations promulgated under Section 103(c) of the Internal Revenue Code of 1986, as amended, that are applicable pursuant to the Code.

"**Replacement Proceeds**" means amounts that are treated as replacement proceeds of an issue of bonds under Regulations §1.148-1(c). Generally, amounts are Replacement Proceeds of an issue if the amounts have a sufficiently direct nexus to the governmental purpose of the issue to conclude that the amounts would have been used for that governmental purpose if the proceeds of the issue were not used or to be used for that governmental purpose. Replacement Proceeds include, but are not limited to,

sinking funds or pledged funds to the extent that those funds are held by or derived from a substantial beneficiary of the issue (which, for this purpose includes the issuer and any related party to the issuer).

"**Sale Proceeds**" means amounts actually or constructively received from the sale of an issue of bonds (including amounts used to pay underwriter's discount and compensation and accrued interest other than pre-issuance accrued interest). Sale Proceeds also include, but are not limited to, amounts derived from the sale of a right that is associated with a Series 2018 Bond and that is described in Regulations §1.148-4(b)(4).

"Series 1995 B Bonds" means the Issuer's Sewer Revenue Bonds, Series 1995 B, dated June 27, 1995, issued in the original aggregate principal amount of $2,000,000.

"Series 2018 A Bonds" means the Issuer's Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified), dated March 28, 2018, issued in the original aggregate principal amount of $1,310,000.

"Series 2018 B Bonds" means the Issuer's Sewer Revenue Bonds, Series 2018 B (Bank Qualified), dated March 28, 2018, issued in the original aggregate principal amount of $2,255,000.

"**Tax-Exempt Bond**" means any tax-exempt bond within the meaning of Section 103 of the Code and Regulations §1.150-1 that is not investment property within the meaning of Section 148(b)(3) of the Code.

"**Underwriter**" means Crews and Associates, Inc., Morgantown, West Virginia.

"**Valuation Date**" means the date on which the value of the Nonpurpose Investments allocable to the Series 2018 Bonds thereunder must be determined under Regulations §1.148-6. In general, beginning with the first Bond Year beginning after second year anniversary of the Issue Date, the first day of each Bond Year constitutes a Valuation Date.

"**Value of a Bond**" means the value of a bond determined under Regulations §1.148-4(e). Under those Regulations, value generally means:

> (a) In the case of a plain par bond (within the meaning of Regulations §1.148-1(b)), its outstanding stated principal amount, plus accrued unpaid interest or in the case of a plain par bond actually redeemed, or that is treated as redeemed, its stated redemption price on the redemption date plus accrued unpaid interest; and
>
> (b) In the case of a bond other than a plain par bond, the value on a date of such a bond is generally its Present Value on that date, using the yield on the issue of which the bond is a part as the discount factor. In determining the Present Value of a variable rate bond, the initial interest rate on the bond established by the index or other rate setting mechanism is used to determine the interest payments on that bond.

"**Value of an Investment**" means the value of an investment determined under Regulations §1.148-5(d). Under those Regulations, value as of any date generally means, for any fixed rate investment (within the meaning of Regulations §1.148-1(b)) or Yield Restricted Investment, Present

Value on that date, and for any plain par investment (within the meaning of Regulations §1.148-1(b)), the outstanding stated principal amount, plus accrued unpaid interest, as of that date.

"**Yield**" or "**yield**" means the yield computed under Regulations §1.148-4 of the Regulations for the Series 2018 Bonds, and the yield computed under Regulations §1.148-5 for an Investment.

"**Yield Restricted Investments**" means any Investments which either (1) bear a yield that is not materially higher than the Bond Yield, or (2) are investments in one or more Tax-Exempt Bonds.

EXHIBIT E

CERTIFICATE OF DETERMINATIONS

[Included in Transcript as Document No. 4]

TAX COMPLIANCE POLICY

CITY OF SALEM (WEST VIRGINIA)

TAX COMPLIANCE POLICIES

Purpose

Governmental issuers of tax-exempt and tax-credit bonds must comply with certain federal tax rules pertaining to expenditure of proceeds for qualified costs, rate of expenditure, use of bond financed property, investment of proceeds in compliance with arbitrage rules, and retention of records. The following policies are intended to establish compliance by the City of Salem, West Virginia (the *"Issuer"*), as the issuer, with these rules in connection with the issuance of the Issuer's Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified) and Sewer Revenue Bonds, Series 2018 B (Bank Qualified) (collectively, the "*Tax-Exempt Bonds*"). It is understood and agreed by the Issuer, and the Issuer has covenanted to take all actions necessary to maintain the Tax-Exempt Bonds as tax-exempt state and local bonds.

Tax Requirements Associated with Sale and Issuance of Bonds

Review and retention of tax documents related to the sale and issuance of Bonds will be supervised by the City Manager or his designee (the "*Oversight Officer*").

- Form 8038-G (tax exempt bonds) will be reviewed and filed not later than the 15th day of the 2nd calendar month following the quarter in which the bonds were issued. Filing of appropriate version or versions of Form 8038-G will be confirmed with bond counsel.

Expenditure of Proceeds for Governmental Costs

Expenditure of bond proceeds will be reviewed by the Oversight Officer.

- Bond proceeds will be disbursed pursuant to the Bond Ordinance, and will be a written order of an Authorized Officer, stating the date, amount and purpose of the disbursement.

- Requisitions must identify the financed property in conformity with the Tax and Non-Arbitrage Certificate executed by the Issuer at closing, including any certifications as to the character and average economic life of the bond-financed property.

- Requisitions for costs that were paid prior to the issuance of the bonds are, in general, limited to costs paid subsequent to, or not more than 60 days prior to, the date a "declaration of intent" to reimburse the costs was adopted by the City. If proceeds are used for reimbursement, a copy of the declaration will be obtained and included in the records for the Tax-Exempt Bonds, if not already part of the bond transcript.

- Requisitions will be in accordance with expectations to spend or commit 5% of net sale proceeds within 6 months, to spend 85% of net sale proceeds within 3 years, and to proceed with due diligence to complete the project and fully spend the net sale proceeds. Expected expenditure schedules, project timelines, and plans and specifications will be maintained to support expectations. Reasons for failure to meet the expected schedule will be documented and retained in the records for the Tax-Exempt Bonds.

- If the 18-month spending exception to rebate applies, expenditure of gross proceeds will be monitored against the following schedule for the arbitrage rebate exception for the issue, if applicable:

  15% within 6 months
  60% within 12 months
  100% within 18 months

- If the 2-year spending exception to rebate applies, expenditure of "available construction proceeds" will be monitored against the following schedule for the arbitrage rebate exception for construction issues if applicable:

  10% within 6 months
  45% within 12 months
  75% within 18 months
  100% within 24 months

Expenditure of Proceeds

In addition to the general review of expenditures described above, expenditure of proceeds of the Tax-Exempt Bonds will be reviewed by the Oversight Officer.

- Reserve funds cannot exceed the least of 10% of bond proceeds, maximum annual debt service, or 125% of average annual debt service. The initial funding of any reserve fund will be measured against this limit.

- Only a small portion (5%) of the proceeds of Tax-Exempt Bonds can be used for operating expenses or other "working capital" costs. Requisitions for costs of the

Project will accordingly be monitored to confirm that they are for capital costs of the Project.

- Investment earnings on sale proceeds of the Tax-Exempt Bonds will be tracked and will be requisitioned only for appropriate expenditures.

Use of Bond-Financed Property

Use of bond-financed property when completed and placed in service will be reviewed by the Oversight Officer.

- Average nonexempt use of bond-financed property over the life of the issue cannot exceed 10% of the proceeds.

- Agreements with business users or non-profit organizations for lease or management or services contracts, sponsored research, naming rights or any other potential nonexempt use of bond-financed property will be reviewed prior to execution of any contract to determine if property subject to the Bond Ordinance is bond-financed.

- Agreements with business users or other non-profit organizations for lease or management or services contracts or other private business use involving bond-financed property will be tracked and aggregated with other private business uses for compliance with the 10% limit, as set forth in the Tax and Non-Arbitrage Certificate.

- No item of bond-financed property will be sold or transferred to a nonexempt party without advance arrangement of a "remedial action" under the applicable Income Tax Regulations.

Investments and IRS Filings

Investment of bond proceeds in compliance with the arbitrage bond rules and rebate of arbitrage will be supervised by the Oversight Officer.

- Guaranteed investment contracts ("*GIC*") will be purchased only using the three-bid "safe harbor" of applicable Income Tax Regulations, in compliance with fee limitations on GIC brokers in the Income Tax Regulations.

- Other investments will be purchased only in market transactions.

- Calculations of rebate liability will be performed annually by outside consultants.

- Rebate payments will be made with Form 8038-T no later than 60 days after (a) each fifth anniversary of the date of issuance and (b) the final retirement of the issue. Compliance with rebate requirements will be reported to the bond trustee and the issuer.

- Identify date for first rebate payment at time of issuance. Enter in records for the issue.

Records

Management and retention of records related to tax-exempt bond issues will be supervised by the Oversight Officer.

- Records will be retained for the life of the bonds plus any refunding bonds plus three years. Records may be in the form of documents or electronic copies of documents, appropriately indexed to specific bond issues and compliance functions.

- Retainable records pertaining to the Tax-Exempt Bonds include transcript of documents executed in connection with the issuance of the bonds (including authorizing resolutions, Bond Ordinance, Form 8038-G, and Tax and Non-Arbitrage Certificate) and any amendments, and copies of rebate calculations and records of payments, including Forms 8038-T.

- Retainable records pertaining to expenditures of bond proceeds include requisitions, accounting statements and final allocation of proceeds.

- Retainable records pertaining to use of property include all agreements reviewed for nonexempt use and any reviewed documents relating to unrelated business activity.

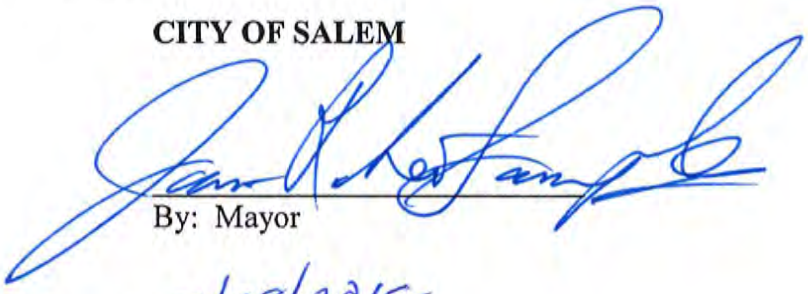
- Retainable records pertaining to investments include GIC documents under the Income Tax Regulations, records of purchase and sale of other investments, and records of investment activity sufficient to permit calculation of arbitrage rebate or demonstration that no rebate is due.

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Overall Responsibility

Overall administration and coordination of this policy is the responsibility of the Oversight Officer.

CITY OF SALEM



By: Mayor

3/28/2018

Date

City of Salem
Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified); and
Sewer Revenue Bonds, Series 2018 B (Bank Qualified)

REGISTRAR'S CERTIFICATE

United Bank, Charleston, West Virginia (the "Bank"), as Registrar for the above-captioned bonds (collectively, the "Series 2018 Bonds"), hereby certifies this 28th day of March, 2018 as follows, all capitalized terms used herein to have the same meanings set forth in the Bond Ordinance of the City of Salem (the "Issuer") enacted on July 25, 2017, as supplemented by Supplemental Parameters Resolution and Conformed Ordinance adopted by the Issuer on February 13, 2018 and Certificate of Determinations dated March 8, 2018 (collectively, the "Bond Legislation"):

1. The Bank is a state banking corporation duly organized, validly existing, and in good standing under the laws of the Commonwealth of Virginia, may lawfully conduct business in West Virginia, and is lawfully empowered, pursuant to such laws, to accept the duties and obligations contemplated and as provided under the Bond Legislation and to serve in the capacity of Registrar under the Bond Legislation.

2. The Bank has duly authorized, by all necessary action, the authentication of the Bonds and the execution and delivery of this Certificate and the acceptance of all duties of Registrar under the Bond Legislation, and any and all other documents and agreements as may be required to be executed, delivered and received by the Bank in order to carry out, give effect to, and consummate the transactions contemplated thereby.

3. The person indicated in paragraph 4 below was at the time of the authentication of the Series 2018 Bonds, and is now, a duly elected, qualified and acting incumbent in his or her office; and, pursuant to authorization from the Board of Directors of the Bank, such person, in his or her official capacity, was and is authorized to authenticate the Series 2018 Bonds for and on behalf of the Bank.

4. Appearing opposite the name and title of the person indicated below is a true and correct specimen of his or her signature.

Name	Title	Signature
Thomas Provenzano	Vice President	

5. There have been filed with the Bank all of the documents listed in Section 3.12 of the Bond Ordinance; the Series 2018 Bonds have been duly authenticated and registered to CEDE & CO. and delivered to The Depository Trust Company, New York, New York ("DTC"), and proceeds of the Series 2018 Bonds have been deposited as required by the Bond Legislation.

6. Attached hereto as EXHIBIT A is a correct listing of the Bond numbers, CUSIP numbers, maturity dates, principal amounts, interest rates and yields of the Series 2018 Bonds.

7. All conditions precedent contained in the Ordinance for the issuance of the Series 2018 Bonds have been met and the Series 2018 Bonds are entitled to the benefit and security of the Bond Legislation.

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WITNESS my signature on the day and year first written above.

UNITED BANK

By: Stacy A. Miller
Its: Authorized Officer

EXHIBIT A

SERIES 2018 A BOND TERMS

$1,310,000
CITY OF SALEM (WEST VIRGINIA)
SEWER REFUNDING REVENUE BONDS
SERIES 2018 A (BANK QUALIFIED)

Bond No.	Maturity (December 1)	Principal Amount	Interest	Yield	CUSIP
AR-1 Term Bond	2032	$1,310,000	4.000%	3.050%	794641BW9

SERIES 2018 B BOND TERMS

$2,255,000
CITY OF SALEM (WEST VIRGINIA)
SEWER REVENUE BONDS
SERIES 2018 B (BANK QUALIFIED)

Bond No.	Maturity (December 1)	Principal Amount	Interest	Yield	CUSIP
BR-1 Term Bond	2021	$305,000	3.000%	3.000%	794641BX7
BR-2 Term Bond	2025	$390,000	3.250%	3.350%	794641BY5
BR-3 Term Bond	2028	$330,000	3.500%	3.650%	794641BZ2
BR-4 Term Bond	2032	$490,000	4.000%	4.000%	794641CA6
BR-5 Term Bond	2037	$740,000	4.000%	4.150%	794641CB4

CITY OF SALEM (WEST VIRGINIA)
SEWER REFUNDING REVENUE BONDS
SERIES 2018 A (BANK QUALIFIED)
AND
CITY OF SALEM (WEST VIRGINIA)
SEWER REVENUE BONDS
SERIES 2018 B (BANK QUALIFIED)

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of CREWS & ASSOCIATES INC. (the "Underwriter"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Series 2018 Bonds").

1. **Sale of the General Rule Maturities.** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity of the Series 2018 Bonds was sold to the Public is the respective price listed in Schedule A.

2. **Initial Offering Price of the Hold-the-Offering-Price Maturities.**

(a) Select Maturities Use Hold-the-Offering-Price Rule: The Underwriter has offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Series 2018 Bonds is attached to this certificate as Schedule B.

(b) Select Maturities Use Hold-the-Offering-Price Rule: As set forth in the Bond Purchase Agreement the Underwriter has agreed in writing that for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the unsold Series 2018 Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "Hold-the-Offering-Price Rule"). Pursuant to such agreement, no Underwriter has offered or sold any unsold Series 2018 Bonds of any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Series 2018 Bonds during the Holding Period.

3. **Defined Terms.**

(a) General Rule Maturities means those Maturities of the Series 2018 Bonds listed in Schedule A hereto as the "General Rule Maturities."

(b) Hold-the-Offering-Price Maturities means those Maturities of the Series 2018 Bonds listed in Schedule A hereto as the "Hold-the-Offering-Price Maturities."

(c) Holding Period means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (March 8, 2018), or (ii) the date on which the Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) Issuer means the City of Salem, West Virginia.

(e) Maturity means Series 2018 Bonds with the same credit and payment terms. Series 2018 Bonds with different maturity dates, or Series 2018 Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) Sale Date means the first day on which there is a binding contract in writing for the sale of a Maturity of the Series 2018 Bonds. The Sale Date of the Series 2018 Bonds is March 8, 2018.

(h) Underwriter means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2018 Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Series 2018 Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Series 2018 Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Series 2018 Bonds, and by Steptoe & Johnson PLLC in connection with rendering its opinion that the interest on the Series 2018 Bonds is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice it may give to the Issuer from time to time relating to the Series 2018 Bonds.

CREWS & ASSOCIATES INC.

By: _____

Name: Rob Stapton

Dated: March 28, 2018

SCHEDULE A
SALE PRICES OF THE GENERAL RULE MATURITIES AND INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES

GENERAL RULE MATURITIES

$1,310,000 4.000% Series 2018 A Term Bonds due December 1, 2032 priced at 104.912%
$305,000 3.000% Series 2018 B Term Bonds due December 1, 2021 priced at 100.000%
$390,000 3.250% Series 2018 B Term Bonds due December 1, 2025 priced at 99.325%
$330,000 3.500% Series 2018 B Term Bonds due December 1, 2028 priced at 98.680%
$490,000 4.000% Series 2018 B Term Bonds due December 1, 2032 priced at 100.000%
$740,000 4.000% Series 2018 B Term Bonds due December 1, 2037 priced at 97.991%

HOLD-THE-OFFERING-PRICE MATURITIES

NONE

SCHEDULE B
PRICING WIRE OR EQUIVALENT COMMUNICATION
(Not Applicable)

Bennett & Dobbins PLLC
CERTIFIED PUBLIC ACCOUNTANTS

317 Cleveland Avenue
Fairmont, WV 26554-1604
Telephone: (304) 366-4295 Fax: (304) 366-4311

ZACHARY D. DOBBINS, CPA
PHILLIP J. NUCE, CPA

March 28, 2018

City of Salem
Sewer Refunding Revenue Bonds, Series 2018 A; and
Sewer Revenue Bonds, Series 2018 B (Bank Qualified)

City of Salem
Salem, West Virginia

Crews & Associates, Inc.
Morgantown, West Virginia

Ladies and Gentlemen:

Based upon the rates and charges as set forth in the Sewer Rate Ordinance enacted on April 4, 2011 by the City of Salem (the "Issuer") and the projected operating expenses and the anticipated customer usage as furnished to us by the Issuer, it is our opinion that such rates and charges will be sufficient to provide revenues which, together with other revenues of the sewerage system (the "System") of the Issuer, will pay all operating expenses of the System and leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on the Issuer's Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified), dated March 28, 2018, issued in the aggregate principal amount of $1,310,000; and Sewer Revenue Bonds, Series 2018 B (Bank Qualified), dated March 28, 2018, issued in the aggregate principal amount of $2,255,000 (collectively, the "Series 2018 Bonds") and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2018 Bonds.

Sincerely,

Bennett & Dobbins PLLC

Bennett & Dobbins PLLC

City of Salem
Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified) and
Sewer Revenue Bonds, Series 2018 B (Bank Qualified)

ENGINEER'S CERTIFICATE

I, Jeffrey A. Petry, Jr., Registered Professional Engineer, West Virginia License No. 021377 of E.L. Robinson Engineering Company, Charleston, West Virginia, hereby certify this 28th day of March, 2018, that my firm is the engineer for the acquisition and construction of improvements to the existing sewerage system (the "Project") of the City of Salem (the "Issuer"), to be acquired and constructed in Harrison County, West Virginia, which acquisition and construction are being financed in whole or in part by the above-captioned revenue bonds of the Issuer.

2. The Bonds are being issued (i) to pay the Series 1995 B Bonds; (ii) to pay the costs of acquisition and construction of the Project; (iii) to fund the Reserve Accounts; and (iv) to pay certain costs of issuance and related costs.

3. To the best of my knowledge, information and belief, (i) within the limits and in accordance with the applicable and governing contractual requirements relating to the Project, the Project will be constructed in general accordance with the approved plans, specifications and designs prepared by my firm and approved by the Bureau for Public Health; (ii) the Project, as designed, is adequate for its intended purpose and has a useful life of at least 20 years, if properly constructed, operated and maintained, excepting anticipated replacements due to normal wear and tear; (iii) the Issuer has received bids for the acquisition and construction of the Project; (iv) the successful bidders received any and all addenda to the original bid documents; (v) the bid documents and the bid forms provided to the bidders contain the critical operational components of the Project; (vi) the successful bids include prices for every item on such bid forms; and (vii) the Issuer has obtained all permits required by the laws of the State of West Virginia and the United States necessary for the construction of the Project and operation of the System.

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WITNESS my signature on the day and year first written above.

E.L. ROBINSON ENGINEERING COMPANY

(SEAL)



Jeffrey A. Petry, Jr., P.E.
West Virginia License No. 021377

The Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Statement constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy, nor shall there by any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of such jurisdiction. The Issuer deems this Preliminary Official Statement to be final for the purposes of the Securities and Exchange Commission Rule 15c2-12(b)(1), except for certain information on the cover page hereof and certain pages herein which have been omitted in accordance with said Rule and which will be supplied in the final Official Statement.

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 28, 2018

NEW ISSUE - BOOK-ENTRY ONLY **NON-RATED**

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, interest on the Series 2018 Bonds (including any original issue discount properly allocable to the owner thereof) is excludable from gross income of the holders thereof for federal income tax purposes, and interest on the Series 2018 Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations although Bond Counsel observes that it is included in the adjusted current earnings in calculating corporate alternative minimum taxed revenue for taxable years that begin prior to January 1, 2018. However, interest paid to corporate holders of the Series 2018 Bonds may be indirectly subject to alternative minimum tax under certain circumstances. The Issuer has designated the Series 2018 Bonds as "Qualified Tax-Exempt Obligations" for purposes of paragraph (3) of Section 265(b) of the Internal Revenue Code of 1986, as amended. Further, in the opinion of Bond Counsel, under existing laws of the State of West Virginia, the Series 2018 Bonds, and the interest thereon, are exempt from all taxation by the State of West Virginia or any county, municipality, political subdivision or agency thereof. See "TAX MATTERS" herein.

$1,380,000*
CITY OF SALEM, WEST VIRGINIA
SEWER REFUNDING REVENUE BONDS,
SERIES 2018 A (BANK QUALIFIED)

$2,240,000*
CITY OF SALEM, WEST VIRGINIA
SEWER REVENUE BONDS,
SERIES 2018 B (BANK QUALIFIED)

Dated: Date of Delivery **Due:** As shown on inside front cover

The City of Salem, West Virginia, Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified) (the "Series 2018 A Bonds") and Sewer Revenue Bonds, Series 2018 B (Bank Qualified) (the "Series 2018 B Bonds" and, together with the Series 2018 A Bonds, the "Series 2018 Bonds") are issued in fully registered form in the denomination of $5,000 principal amount or any integral multiple thereof. Purchasers of the Series 2018 Bonds will not receive certificates representing their interests in the Series 2018 Bonds purchased. The Series 2018 Bonds will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York.

Interest on the Series 2018 Bonds is payable on each June 1 and December l, commencing December 1, 2018 (each, a "Payment Date"), with payments of principal on each December 1. Principal and interest on the Series 2018 Bonds is payable by the West Virginia Municipal Bond Commission, as paying agent (the "Paying Agent") to Cede & Co. United Bank, Charleston, West Virginia will serve as the registrar (the "Registrar").

The Series 2018 A Bonds are being issued by the City of Salem, West Virginia (the "Issuer" or the "City"), together with other funds available therefor, to: (i) provide funds to currently refund the Issuer's Sewer Revenue Bonds, Series 1995 B (the "Refunded Bonds"); (ii) fund the debt service reserve account for the Series 2018 A Bonds in an amount equal to the Series 2018 A Bonds Reserve Requirement; and (iii) pay costs of issuance of the Series 2018 A Bonds and related costs. The Series 2018 B Bonds are being issued by the Issuer, together with other funds available therefor, to: (i) provide funds to design, acquire, construct and equip certain additions, betterments and improvements to the Issuer's existing public sewerage system (the "Project," as hereinafter described); (ii) fund the debt service reserve account for the Series 2018 B Bonds in an amount equal to the Series 2018 B Bonds Reserve Requirement; and (iii) pay costs of issuance of the Series 2018 B Bonds and related costs.

The Series 2018 Bonds are payable solely from and secured by the Net Revenues derived from the existing public sanitary sewerage system of the Issuer and any extensions, improvements and betterments thereto, specifically including, but not limited to, the "Project" on parity with one another and any additional parity bonds that may hereafter be issued by the Issuer as permitted by the Ordinance (as hereinafter defined), and from funds on deposit in the sinking funds and reserve accounts established for the Series 2018 A Bonds and Series 2018 B Bonds, respectively, under the Ordinance, all as more fully described herein.

The Series 2018 Bonds are subject to redemption prior to maturity as set forth herein. See "THE SERIES 2018 BONDS-REDEMPTION" herein.

The Issuer has designated the Series 2018 A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

The Series 2018 Bonds do not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, and the Issuer shall not be obligated to pay the Series 2018 Bonds or the interest thereon except from the above-referenced Net Revenues and funds. Neither the credit nor the taxing power of the Issuer shall be deemed to be pledged to, nor shall tax ever be levied for, the payment of the principal or redemption price of or interest on the Series 2018 Bonds.

This cover page contains only a brief description of the Issuer, the Series 2018 Bonds and the security therefor. It is not intended to be a summary of material information with respect to the Series 2018 Bonds. Investors should read the entire Official Statement, including the section titled "INVESTMENT CONSIDERATIONS," to obtain information necessary to make an informed investment decision.

The Series 2018 Bonds are offered for delivery when, as and if issued and received by the Underwriter, subject to prior sale and to withdrawal or modification of the offering, without notice, and to the unqualified approval of legality by Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel, and the approval of certain matters by Bowles Rice LLP, Charleston, West Virginia, Counsel to the Underwriter. Certain legal matters will be passed upon for the Issuer by Harrold & Kramer, PLLC doing business as Mountain State Law, Clarksburg, West Virginia. It is expected that the Series 2018 Bonds will be available for delivery through The Depository Trust Company on or about _____, 2018.

Dated: _____, 2018

_____

Crews&Associates
Member First Security Bancorp

* Preliminary, subject to change

CITY OF SALEM, WEST VIRGINIA
SERIES 2018 BONDS

consisting of:

$1,380,000*
CITY OF SALEM, WEST VIRGINIA
Sewer Refunding Revenue Bonds
Series 2018 A (Bank Qualified)

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND PRICES*

TERM BONDS*

Maturity (December 1)	Principal	Coupon	Yield	Price	CUSIP**
2021					
2024					
2027					
2030					
2032					

$2,240,000*
CITY OF SALEM, WEST VIRGINIA
Sewer Revenue Bonds
Series 2018 B (Bank Qualified)

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND PRICES*

TERM BONDS*

Maturity (December 1)	Principal	Coupon	Yield	Price	CUSIP**
2021					
2024					
2027					
2030					
2034					
2037					

* Preliminary, subject to change

** CUSIP data on the inside cover page is provided by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. The CUSIP numbers on the inside cover page hereof are being provided solely for the convenience of the Holders of the Series 2018 Bonds only at the time of issuance of the Series 2018 Bonds, and none of the Issuer, the Sanitary Board (as hereinafter defined) or the Underwriter make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2018 Bonds.

CITY OF SALEM, WEST VIRGINIA

MAYOR
James Robert Samples

COUNCIL MEMBERS
Isaac Samples
John Golden
John Sinnett
Judith Davisson
Shawnette Stout
Nancy Siders

SANITARY BOARD
Chairman and City Manager: Ronnie Davis
Member: Blair Nutter
Member: John Lowe

Operator: Gary White
Engineer: Jeff Petry

CITY MANAGER
Ronnie Davis

CITY CLERK
Kayla Nicholas

BOND COUNSEL
Steptoe & Johnson PLLC
Charleston, West Virginia

COUNSEL TO THE CITY OF SALEM
Harrold & Kramer, PLLC doing business as Mountain State Law
Clarksburg, West Virginia

UNDERWRITER
Crews & Associates, Inc.
Morgantown, West Virginia
Little Rock, Arkansas

UNDERWRITER'S COUNSEL
Bowles Rice LLP
Charleston, West Virginia

REGISTRAR
United Bank
Charleston, West Virginia

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Series 2018 Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by the Issuer, the Sanitary Board or the Underwriter to give any information or to make any representations, other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information set forth herein has been obtained from the Issuer, the Sanitary Board and other sources, which are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and any expression of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer, the Sanitary Board or the System since the date hereof. This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or used, in whole or in part, for any other purposes.

The information contained in this Official Statement has been obtained from the Issuer, the Sanitary Board and other sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a promise by, any of the foregoing. The presentation of such information is intended to show recent historic information and is not intended to indicate future or continuing trends. No representation is made that the past experience, as shown by such financial and other information, will necessarily continue or be repeated in the future. This Official Statement contains, in part, estimates and matters of opinion, whether or not expressly stated to be such, which are not intended as statements or representations of fact or certainty, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, the Sanitary Board or the System.

The Series 2018 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 Net Revenues of the System, on parity with one another and any hereinafter issued additional Parity Bonds and with respect to the Series 2018 A Bonds only, from the funds on deposit in the Series 2018 A Bonds Sinking Fund and the Series 2018 A Bonds Reserve Account therein and the unexpended proceeds of the Series 2018 A Bonds, and with respect to the Series 2018 B Bonds only, from the funds on deposit in the Series 2018 B Bonds Sinking Fund and the Series 2018 B Bonds Reserve Account therein and the unexpended proceeds of the Series 2018 B Bonds, all as herein provided. No Holder or Holders of the Series 2018 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2018 Bonds or the interest thereon.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimated," "forecasted," "intended," "expected," "anticipated," "projected," "assumed" and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. For a discussion of certain of such risks and possible variations in results, see the information under "INVESTMENT CONSIDERATIONS."

YOU SHOULD MAKE YOUR OWN DECISION WHETHER THIS OFFERING MEETS YOUR INVESTMENT OBJECTIVES AND RISK TOLERANCE LEVEL. NO FEDERAL OR STATE SECURITIES COMMISSION HAS APPROVED, DISAPPROVED, ENDORSED OR RECOMMENDED THIS OFFERING. NO INDEPENDENT PERSON HAS CONFIRMED THE ACCURACY OR TRUTHFULNESS OF THIS DISCLOSURE OR WHETHER IT IS COMPLETE. THE WEST VIRGINIA SECURITIES COMMISSION HAS NOT REVIEWED THE DISCLOSURE CONTAINED HEREIN, AND THE ISSUER IS RELYING ON AN EXEMPTION FROM REGISTRATION BY QUALIFICATION UNDER THE WEST VIRGINIA SECURITIES ACT. IMPORTANT RISK FACTORS ARE EXPLAINED HEREIN UNDER "INVESTMENT CONSIDERATIONS."

The following sentence has been provided by the Underwriter for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The Ordinance has not been qualified under the Trust Indenture Act of 1939, as amended because of available exemptions therefrom.

The Series 2018 Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency has determined or confirmed the accuracy of this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2018 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT
relating to

CITY OF SALEM, WEST VIRGINIA
SERIES 2018 BONDS

consisting of:

$1,380,000*
CITY OF SALEM, WEST VIRGINIA
SEWER REFUNDING REVENUE BONDS,
SERIES 2018 A (BANK QUALIFIED)

$2,240,000*
CITY OF SALEM, WEST VIRGINIA
SEWER REVENUE BONDS,
SERIES 2018 B (BANK QUALIFIED)

INTRODUCTION

This Official Statement, including the cover page and the Appendices hereto, is provided to set forth certain information concerning the issuance by the City of Salem, a West Virginia municipal corporation (the "Issuer" or the "City"), of $1,380,000* in aggregate principal amount of its Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified) (the "Series 2018 A Bonds") and $2,240,000* in aggregate principal amount of its Sewer Revenue Bonds, Series 2018 B (Bank Qualified) (the "Series 2018 B Bonds" and, together with the Series 2018 A Bonds, the "Series 2018 Bonds"). The Series 2018 Bonds are being issued pursuant to the Constitution and laws of the State of West Virginia (the "State"), particularly Chapter 16, Article 13 of the Code of West Virginia, 1931, as amended (the "Act"), and an ordinance enacted by the Council of the Issuer on July 25, 2017, as supplemented by a supplemental parameters resolution adopted on February 13, 2018 (said ordinance, as so supplemented and together with the certificate of determinations incorporated by reference, the "Ordinance"). The net proceeds of the sale of the Series 2018 A Bonds will be used, together with other funds available therefor, (i) to provide funds to currently refund the Issuer's Sewer Revenue Bonds, Series 1995 B (the "Refunded Bonds"); (ii) to fund the debt service reserve account for the Series 2018 A Bonds in an amount equal to the Series 2018 A Bonds Reserve Requirement; and (iii) to pay costs of issuance of the Series 2018 A Bonds and related costs. The net proceeds of the sale of the Series 2018 B Bonds will be used, together with other available funds therefor, (i) to design, acquire, construct and equip certain additions, betterments and improvements to the Issuer's existing public sewerage system (the "Project," as hereinafter described); (ii) to fund the debt service reserve account for the Series 2018 B Bonds in an amount equal to the Series 2018 B Bonds Reserve Requirement; and (iii) to pay costs of issuance of the Series 2018 B Bonds and related costs. See "PURPOSES AND PLAN OF FINANCING" herein.

The Series 2018 Bonds are payable solely from and secured by the Net Revenues derived from the existing public sanitary sewerage system of the Issuer and any extensions, improvements and betterments thereto, specifically including, but not limited to, the Project (collectively, the "System"), on parity with one another and any additional Parity Bonds that may hereafter be issued by the Issuer as permitted by the Ordinance (the Series 2018 Bonds and any such hereinafter issued additional Parity Bonds are collectively referred to herein as the "Bonds"), and from funds on deposit in the sinking funds and reserve accounts established for the Series 2018 A Bonds and Series 2018 B Bonds, respectively, under the Ordinance.

The Series 2018 Bonds are special obligations of the Issuer. The Series 2018 Bonds do not constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation on indebtedness, and the Issuer shall not be obligated to pay the Series 2018 Bonds or the interest or any premium thereon except from such Net Revenues and such funds on deposit in the respective sinking funds and reserve accounts established therefor. Pursuant to the Ordinance, the Issuer

* Preliminary, subject to change

has covenanted and agreed that the schedule or schedules of rates or charges from time to time in effect shall be sufficient to produce Net Revenues equal to not less than 115% of the Maximum Annual Debt Service on the Bonds in any Fiscal Year. See "SECURITY FOR THE SERIES 2018 BONDS -- Rate Covenant."

The Series 2018 Bonds will be dated, will mature, will bear interest and will be subject to redemption prior to maturity as more fully described under the heading "THE SERIES 2018 BONDS" herein. The Series 2018 Bonds will initially be maintained under a book-entry system. So long as the Series 2018 Bonds are maintained under a book-entry system, the manner of payment, the denominations, the transfer and exchange of ownership and the method of providing notice of redemption to the owners of the Series 2018 Bonds shall be determined as described in "APPENDIX D - BOOK-ENTRY ONLY SYSTEM." If the book-entry system is discontinued, principal of, interest, and premium, if any, on the Series 2018 Bonds will be payable by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (the "Paying Agent"), to the owners thereof at the address appearing in the books kept by United Bank, Charleston, West Virginia, as registrar (the "Registrar"). For further information describing the method of payment and other matters in the event the book-entry system is discontinued, see "THE SERIES 2018 BONDS" herein and "APPENDIX F – FORM OF BOND ORDINANCE AND SUPPLEMENTAL PARAMETERS RESOLUTION."

There are no outstanding obligations of the Issuer which will rank on parity with the Series 2018 Bonds as to lien, pledge, source of and security for payment. The Issuer may issue additional bonds on parity with the Series 2018 Bonds for the purpose of financing the costs of the design, acquisition, construction and equipping of additions, betterments or improvements to the System and/or refunding all or a portion of one or more series of Bonds, to pay claims which may exist against the revenues or facilities of the System or all of such purposes, subject in each case to certain tests and conditions provided for in the Ordinance. See "SECURITY FOR THE SERIES 2018 BONDS -- Additional Parity Bonds."

Brief descriptions of the Series 2018 Bonds, the Refunding, the Project, the System, the Ordinance, certain provisions of the Act and the Undertaking (as hereinafter defined) are set forth in this Official Statement, as well as other information in the Appendices hereto. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Ordinance, the Undertaking, the Act and other documents, statutes, reports or instruments are qualified in their entirety by reference to such documents, statutes, reports or instruments. References herein to the Series 2018 Bonds are qualified in their entirety by reference to the forms thereof included in the Ordinance and the information with respect thereto included in the aforesaid documents. Capitalized terms used and not otherwise defined in this Official Statement have the respective meanings given to them in the Ordinance. See "APPENDIX F – FORM OF BOND ORDINANCE AND SUPPLEMENTAL PARAMETERS RESOLUTION."

PURPOSES AND PLAN OF FINANCING

The Refunding

The Series 2018 A Bonds are being issued to currently refund the Issuer's Sewer Revenue Bonds, Series 1995 B, in order to achieve debt service savings. Such Series 1995 B Bonds were issued on June 27, 1995, in the original aggregate principal amount of $2,000,000 to finance additions, betterments and improvements to the System. The current outstanding principal balance of the Issuer's Sewer Revenue Bonds, Series 1995 B is approximately $1,305,342.88.

The Project

The Series 2018 B Bonds are being issued to provide funds for the design, acquisition, construction and equipping of certain additions, betterments and improvements to the System, including construction of approximately 2,700 linear feet of 18-inch corrugated HDPE storm sewer line, 32 "Type

A" storm inlets, 11 precast concrete culvert headwalls, 3 "Type A" storm manholes, 7 sanitary manholes, 1,750 linear feet of 8-inch PVC gravity sewer, 600 linear feet of 4-inch PVC gravity customer lateral and other related appurtenances, and will also include the rehabilitation of the wastewater treatment plant's ultraviolet disinfection unit, belt sludge press, and non-potable water system (collectively, the "Project"). One of the purposes of the Project is to mitigate the inflow and infiltration of storm water into the System.

The Sanitary Board opened bids on February 13, 2018. The total low bid was $1,208,543.35. The total cost of the Project is anticipated to be $1,810,000, and the Sanitary Board will have a $161,000 contingency for a total of $1,971,000. The Sanitary Board anticipates a 180 day (6 month) construction period.

Sources and Uses of Series 2018 A Bond Proceeds

Sources:	
Principal Amount of the Series 2018 A Bonds	$_____
Transfer from the Refunded Bonds Debt Service Reserve Fund	$_____
[Net Original Issue Premium/Discount]	$_____
Total Sources of Funds	$_____
Uses:	
Payment to USDA for Current Refunding of Refunded Bonds	$_____
Deposit to Debt Service Reserve Account[1]	$_____
Deposit/Credit to Costs of Issuance Fund [2]	$_____
Total Uses of Funds	$_____

Sources and Uses of Series 2018 B Bond Proceeds

Sources:	
Principal Amount of the Series 2018 B Bonds	$_____
[Net Original Issue Premium]	$_____
Total Sources of Funds	$_____
Uses:	
Deposit to Project Fund [3]	$1,971,000*
Deposit to Debt Service Reserve Account[4]	$_____
Deposit/Credit to Costs of Issuance Fund [5]	$_____
Total Uses of Funds	$_____

THE SERIES 2018 BONDS

The Series 2018 Bonds are dated the date of delivery. The Series 2018 Bonds will bear interest from their date, payable semiannually on each June 1 and December 1 in each year (each, a "Payment

* Preliminary, subject to change.

[1] An amount not to exceed the Series 2018 A Bonds/Reserve Requirement.

[2] Includes Underwriter's discount, legal and financing fees, bond counsel fees, underwriter's counsel fees, accounting, printing, registrar's fee and other miscellaneous expenses relating to the issuance of the Series 2018 A Bonds.

[3] Includes contingency of $161,000.

[4] An amount not to exceed the Series 2018 B Bonds/Reserve Requirement.

[5] Includes Underwriter's discount, legal and financing fees, bond counsel fees, underwriter's counsel fees, accounting, printing, registrar's fee and other miscellaneous expenses relating to the issuance of the Series 2018 B Bonds.

Date"), commencing December 1, 2018, until maturity or until the date fixed for redemption if the Series 2018 Bond is called for prior redemption and payment on such date is provided for. All Series 2018 Bonds shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Series 2018 Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Series 2018 Bonds shall be in default, Series 2018 Bonds issued in exchange for Series 2018 Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Series 2018 Bonds surrendered.

The Series 2018 Bonds will be issued as fully registered bonds without coupons, in denominations of $5,000 or any integral multiples thereof for any year of maturity. Interest on the Series 2018 Bonds shall be payable by check or draft made payable and mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner thereof as of the applicable Record Date (each May 15 and November 15) or, at the option of any Registered Owner of $1,000,000 or more of the Series 2018 Bonds, by wire transfer to a domestic bank account specified in writing at least five (5) days prior to the Record Date by such Registered Owner. Principal of and premium, if any, on the Series 2018 Bonds shall be payable in any coin or currency which, on the respective date of such payment, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender thereof at the principal corporate trust office of the Paying Agent.

Ownership of any Series 2018 Bond may be transferred only by transfer of registration presented to the Registrar by the registered owner thereof in person or by his attorney or legal representative duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or his duly authorized attorney or legal representative. Upon any such transfer of a Series 2018 Bond, there will be issued another Series 2018 Bond or Series 2018 Bonds, at the option of the Holder or transferee, of the aggregate principal amount equal to the unpaid amount of the transferred Series 2018 Bond and of the same series, interest rate and maturity of said transferred Series 2018 Bond. For every exchange or transfer of Series 2018 Bonds, the Registrar may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. Any applicable tax, governmental charge or charge to reimburse the Registrar for any tax or governmental charge shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Registrar shall not be obliged to make any such transfer or exchange of Series 2018 Bonds that have been called for redemption.

The Series 2018 Bonds are available in book-entry form only. See "BOOK-ENTRY ONLY SYSTEM" below and "APPENDIX D – BOOK-ENTRY ONLY SYSTEM." So long as Cede & Co. is the registered owner of the Series 2018 Bonds as nominee of The Depository Trust Company, New York, New York, references herein to the Bondholders or registered owners of the Series 2018 Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the Series 2018 Bonds.

Redemption

Optional Redemption:

The Series 2018 Bonds are subject to redemption, at the option of the Issuer on or after December 1, 20___, in whole or in part, at any time by lot at the redemption price of 100% of the principal amount to be redeemed, plus interest, if any, accrued to the date fixed for redemption.

Mandatory Redemption:

The Series 2018 A Term Bonds due December 1, 20___ are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
	*

*Maturity

The Series 2018 B Term Bonds due December 1, 20___ are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
	*

* Maturity

Notice of Redemption

Unless waived by any holder of the Series 2018 Bonds to be redeemed, official notice of any redemption shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the registered owner of the Series 2018 Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Registrar.

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

(1) The redemption date,

(2) The redemption price,

(3) If less than all outstanding Series 2018 Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Series 2018 Bonds to be redeemed,

(4) That on the redemption date the Redemption Price and interest accrued will become due and payable upon each such Series 2018 Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date,

(5) The place where such Series 2018 Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Registrar, and,

(6) Such other information, if any, as shall be required for DTC-Eligible Bonds.

If funds sufficient to redeem all Series 2018 Bonds called for optional redemption have not been deposited with the Paying Agent at the time of mailing any notice of optional redemption, such notice shall also state that such optional redemption is subject to the deposit of such monies with the Paying Agent on or before the Redemption Date. If such monies are not so deposited, the Registrar shall notify all holders of Series 2018 Bonds called for redemption of such fact.

BOOK-ENTRY ONLY SYSTEM

Purchasers of the Series 2018 Bonds will not receive certificates representing their interests in the Series 2018 Bonds purchased. The Series 2018 Bonds will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York. See "APPENDIX D – BOOK-ENTRY ONLY SYSTEM."

No Assurance Regarding DTC Practices

Neither the Issuer nor the Sanitary Board can or does give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series 2018 Bonds (1) payments of principal of or interest and premium, if any, on the Series 2018 Bonds, (2) confirmation of beneficial ownership interest in the Series 2018 Bonds, or (3) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2018 Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "rules" applicable to DTC are on file with the Securities and Exchange Commission, and the current "procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

None of the Issuer, the Sanitary Board, the Registrar or the Paying Agent shall have any responsibility or obligation to any Direct Participant, Indirect Participant, Beneficial Owner or any other person with respect to (1) the accuracy of any records maintained by DTC or any Participant; (2) the payment by DTC or any Participant of any amount due to any Beneficial Owner in respect of the principal amount or redemption price of or interest on the Series 2018 Bonds; (3) the delivery by DTC or any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Ordinance to be given to Bondholders; or (4) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2018 Bonds.

SECURITY FOR THE SERIES 2018 BONDS

The Series 2018 Bonds are special obligations of the Issuer and are payable as to principal, premium, if any, and interest solely from the sources described below. The Issuer is under no obligation to pay the Series 2018 Bonds except from said sources.

Outstanding Prior Bonds

After the issuance of the Series 2018 Bonds, the Issuer will not have outstanding any bonds payable from the Net Revenues of the System other than the Series 2018 Bonds. The Series 2018 A Bonds and Series 2018 B Bonds will be issued on parity with each other.

Sources of Payment

The payment of the debt service on the Series 2018 Bonds shall be secured forthwith equally and ratably by a first lien on and pledge of the Net Revenues derived from the System, on parity with one another and with any additional Parity Bonds that may hereafter be issued by the Issuer as permitted by the Ordinance. The Series 2018 A Bonds are also payable from the funds on deposit in the Series 2018 A Bonds Sinking Fund and the Series 2018 A Bonds Reserve Account therein and the Series 2018 B Bonds are also payable from the funds on deposit in the Series 2018 B Bonds Sinking Fund and the Series 2018 B Bonds Reserve Account therein. Net Revenues means Gross Revenues less Operating Expenses. See "APPENDIX F – FORM OF BOND ORDINANCE AND SUPPLEMENTAL PARAMETERS RESOLUTION." Net Revenues derived from the System in an amount sufficient to pay the principal of, premium, if any, and interest on the Series 2018 Bonds and to make the payments into the Series 2018 A Bonds Sinking Fund and Series 2018 B Bonds Sinking Fund (after payment of all operation and maintenance expenses) and to pay all other payments provided for in the Ordinance, and, with respect to the Series 2018 A Bonds only, the funds in the Series 2018 A Bonds Sinking Fund and the Series 2018 A

Bonds Reserve Account therein, and, with respect to the Series 2018 B Bonds only, the funds in the Series 2018 B Bonds Sinking Fund and the Series 2018 B Bonds Reserve Account therein, are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Series 2018 Bonds as the same become due and for the other purposes provided in the Ordinance.

Rate Covenant

The rates and charges for the use of the services and facilities of the System are those set forth in and approved by a rate ordinance enacted by the City Council on April 4, 2011. No rate increase is required in connection with the issuance of the Series 2018 Bonds. See "APPENDIX G – RATE TARIFF." Pursuant to the Ordinance, the schedule or schedules of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds and accounts created under the Ordinance. Such schedule or schedules of rates and charges shall be revised from time to time, whenever necessary, so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer covenants and agrees in the Ordinance that rates or charges from time to time in effect shall be sufficient, together with other revenues of the System, to provide a rate coverage sufficient, together with other revenues of the System, to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2018 Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with, or subordinate to, the Series 2018 Bonds.

Series 2018 A Bonds Reserve Account

$_____ of the proceeds of the Series 2018 A Bonds will be deposited in the Series 2018 A Bonds Reserve Account. In the event of a transfer from the Series 2018 A Bonds Reserve Account to the Series 2018 A Bonds Sinking Fund, the Issuer shall restore the balance of the Series 2018 A Bonds Reserve Account in an amount up to the Series 2018 A Reserve Account Requirement as provided in the Ordinance.

Series 2018 B Bonds Reserve Account

$_____ of the proceeds of the Series 2018 B Bonds will be deposited in the Series 2018 B Bonds Reserve Account. In the event of a transfer from the Series 2018 B Bonds Reserve Account to the Series 2018 B Bonds Sinking Fund, the Issuer shall restore the balance of the Series 2018 B Bonds Reserve Account in an amount up to the Series 2018 B Reserve Account Requirement as provided in the Ordinance.

Application of Gross Revenues

The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited by the Issuer in the Revenue Fund. The Revenue Fund shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. All Revenues at any time remaining on deposit in the Revenue Fund shall be disposed of only in the following manner and order of priority:

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

(2) The Issuer shall next, each month on or before the due date, transfer from the Revenue Fund and simultaneously remit to the Commission (i) beginning on the first day of that month which is 6 months prior to the first interest payment date on the Series 2018 A Bonds, apportion and set apart out of the Revenue Fund and deposit in the Series 2018 A Bonds Sinking Fund, a sum equal to 1/6th of the

amount of interest which will become due on said Series 2018 A Bonds on the next ensuing semiannual interest payment date; provided, that in the event the period to elapse between the date of such initial deposit in the Series 2018 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date, and provided further, that the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2018 A Bonds Sinking Fund shall be reduced by the amount of accrued interest, if any, on the Series 2018 A Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2018 A Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2018 A Bonds Sinking Fund; and (ii) beginning on the first day of that month which is 6 months prior to the first interest payment date on the Series 2018 B Bonds, apportion and set apart out of the Revenue Fund and deposit in the Series 2018 B Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 2018 B Bonds on the next ensuing semiannual interest payment date; provided, that in the event the period to elapse between the date of such initial deposit in the Series 2018 B Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date, and provided further, that the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2018 B Bonds Sinking Fund shall be reduced by the amount of accrued interest, if any, on the Series 2018 B Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2018 B Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2018 B Bonds Sinking Fund.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) for deposit in the Series 2018 A Bonds Sinking Fund (and in the Series 2018 A Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed) on the first day of each month, beginning on the first day of that month which is 12 months prior to the first principal payment or mandatory Redemption Date of the Series 2018 A Bonds, a sum equal to 1/12th of the amount (or 1/6th of the amount if the Series 2018 A Bonds mature semiannually rather than annually) of principal which will mature or be redeemed and become due on the Series 2018 A Bonds on the next ensuing principal payment or mandatory Redemption Date; provided, that in the event the period to elapse between the date of such initial deposit in the Series 2018 A Bonds Sinking Fund and the next ensuing principal payment or mandatory Redemption Date is less than or greater than 12 months (or 6 months if the Series 2018 A Bonds mature semiannually rather than annually), then such monthly payments shall be increased or decreased proportionately to provide, one month prior to the next ensuing principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2018 A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph; and (ii) for deposit in the Series 2018 B Bonds Sinking Fund (and in the Series 2018 B Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed) on the first day of each month, beginning on the first day of that month which is 12 months prior to the first principal payment or mandatory Redemption Date of the Series 2018 B Bonds, a sum equal to 1/12th of the amount (or 1/6th of the amount if the Series 2018 B Bonds mature semiannually rather than annually) of principal which will mature or be redeemed and become due on the Series 2018 B Bonds on the next ensuing principal payment or mandatory Redemption Date; provided, that in the event the period to elapse between the date of such initial deposit in the Series 2018 B Bonds Sinking Fund and the next ensuing principal payment or mandatory Redemption Date is less than or greater than 12 months (or 6 months if the Series 2018 B Bonds mature semiannually rather than annually), then such monthly payments shall be increased or decreased proportionately to provide, one month prior to the next ensuing principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2018 B Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) commencing 13 months prior to the first date of payment of principal of the Series 2018 A Bonds, if not fully funded upon issuance of the Series 2018 A Bonds, for deposit in the Series 2018 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2018 A Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 2018 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2018 A Bonds Reserve Requirement; provided further, that if the amounts in the Series 2018 A Bonds Reserve Account, as a result of a decrease in value of the Series 2018 A Bonds Reserve Account below the Series 2018 A Bonds Reserve Account Requirement or any withdrawal from the Series 2018 A Bonds Reserve Account, the Issuer shall apply such monies for deposit into the Series 2018 A Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 2018 A Bonds Reserve Account results in a determination that the amount of monies and the value of the Qualified Investments deposited to the credit of the Series 2018 A Bonds Reserve Account is less than the Series 2018 A Bonds Reserve Account Requirement, or (b) any amount is withdrawn from the Series 2018 A Bonds Reserve Account for deposit into the Series 2018 A Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of monies on deposit in the Series 2018 A Bonds Reserve Account to an amount equal to the Series 2018 A Bonds Reserve Account Requirement to the full extent that such Net Revenues are available; provided, however, that if the shortfall in the Series 2018 A Bonds Reserve Account is due to a decrease in the value of investments therein, such shortfall shall be replenished by not less than 4 equal monthly payments, and if such shortfall is due to a withdrawal from the Series 2018 A Bonds Reserve Account, such shortfall shall be replenished by not less than 12 equal monthly payments, and provided further, that no payments shall be required to be made into the Series 2018 A Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2018 A Reserve Account Requirement; and (ii) commencing 13 months prior to the first date of payment of principal of the Series 2018 B Bonds, if not fully funded upon issuance of the Series 2018 B Bonds, for deposit in the Series 2018 B Bonds Reserve Account, an amount equal to 1/120th of the Series 2018 B Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 2018 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2018 B Bonds Reserve Requirement; provided further, that if the amounts in the Series 2018 B Bonds Reserve Account, as a result of a decrease in value of the Series 2018 B Bonds Reserve Account below the Series 2018 B Bonds Reserve Account Requirement or any withdrawal from the Series 2018 B Bonds Reserve Account, the Issuer shall apply such monies for deposit into the Series 2018 B Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 2018 B Bonds Reserve Account results in a determination that the amount of monies and the value of the Qualified Investments deposited to the credit of the Series 2018 B Bonds Reserve Account is less than the Series 2018 B Bonds Reserve Account Requirement, or (b) any amount is withdrawn from the Series 2018 B Bonds Reserve Account for deposit into the Series 2018 B Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of monies on deposit in the Series 2018 B Bonds Reserve Account to an amount equal to the Series 2018 B Bonds Reserve Account Requirement to the full extent that such Net Revenues are available; provided, however, that if the shortfall in the Series 2018 B Bonds Reserve Account is due to a decrease in the value of investments therein, such shortfall shall be replenished by not less than 4 equal monthly payments, and if such shortfall is due to a withdrawal from the Series 2018 B Bonds Reserve Account, such shortfall shall be replenished by not less than 12 equal monthly payments, and provided further, that no payments shall be required to be made into the Series 2018 B Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2018 B Reserve Account Requirement.

Amounts in the Series 2018 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2018 A Bonds when due, when amounts in the Series 2018 A Bonds Sinking Fund are insufficient therefor and for no other purpose.

Amounts in the Series 2018 B Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2018 B Bonds when due, when amounts in the Series 2018 B Bonds Sinking Fund are insufficient therefor and for no other purpose.

(5) The Issuer shall next, on the first day of each month, transfer from the monies remaining in the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, a sum equal to 2.5% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, or improvements or extensions to the System; provided, that any deficiency in any Reserve Account, except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of deficiency, funded such account to the maximum extent required hereof, shall promptly be eliminated with monies from the Renewal and Replacement Fund.

(6) Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove provided, are current and there remains in the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by the Act, such excess shall be considered as surplus revenues (the "Surplus Revenues"). Surplus Revenues may be used for any lawful purpose of the System.

Enforcement of Collections

The Issuer covenants in the Ordinance to 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 and other charges that shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State. Such fees, rentals and charges, if not paid when due, shall, to the extent allowed by the Act, become a lien on the premises served by the System.

The 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 or facilities of the potable water system which serves the customers of the System, if owned by the Issuer or pursuant to a termination agreement with the utility providing such water service to the premises, and will not restore such services of the System until all billing for charges for the services and facilities of the System, including penalties and reconnect fees, have been fully paid, or a payment agreement in compliance with the West Virginia Public Service Commission regulations has been entered into with the customer.

Additional Parity Bonds

No additional Parity Bonds payable out of the Net Revenues of the System shall be issued after the issuance of any Series 2018 Bonds pursuant to the Ordinance, except under the conditions and in the manner provided in the Ordinance. No such additional Parity Bonds shall be issued except for the purposes of financing the costs of the design, acquisition and construction of extensions, additions, betterments or improvements to the System, refunding all or a portion of one or more Series of 2018 Bonds issued pursuant hereto or any hereinafter issued additional Parity Bonds, or to pay claims which may exist against the revenues or facilities of the System or all of such purposes.

So long as the Series 2018 Bonds are outstanding, no Parity Bonds shall be issued at any time, however, unless and until there has been procured a written statement by Independent Certified Public Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustment

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

(1) The Bonds then Outstanding;

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

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

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

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

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the 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 the 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 the Ordinance with respect to the Bonds then Outstanding, and any other payments provided for in the Ordinance, shall have been made in full as required to the date of issuance of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of the Ordinance.

Provided, however, that if the most recent audit by an independent certified public accountant for the Issuer states that the Issuer was not in compliance with the rate covenant in the Ordinance for the year

being audited and the Issuer has, as required by the Ordinance, sought a rate increase sufficient to comply with the Ordinance, such statement in the most recent audit shall not be considered a violation of the covenants, agreements and terms of the Ordinance, so as to prevent the Issuer from issuing additional Parity Bonds under the Ordinance.

The Issuer anticipates that it will from time to time issue additional parity bonds to finance the costs of improvements to the System.

Special, Limited Obligations

The Series 2018 Bonds do not constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation on indebtedness. No registered owner of any Series 2018 Bond shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2018 Bonds or the interest or any premium thereon.

THE ISSUER

The City of Salem is located in western Harrison County, West Virginia, in the north central portion of the State of West Virginia.

Government

The Issuer was first chartered as the Town of New Salem in 1794 by legislative enactment of the Virginia Assembly and was incorporated by the State of West Virginia as the City of Salem on February 25, 1905. The Issuer presently operates under the manager-mayor form of government pursuant to a charter adopted as of July 1, 1996. The City is governed by a six-member City Council elected for a two-year term by the voters of the City. Pursuant to the Act, the Sanitary Board operates as a separate sub-unit of the City with control and responsibility for custody, administration, operation and maintenance of the System.

Information Regarding Issuer

The Series 2018 Bonds are payable only from the Net Revenues of the System, which are pledged to their payment. No other funds of the Issuer are available or expected to be used to pay the Series 2018 Bonds. Likewise, the revenues of the System are not used for other purposes of the Issuer. Accordingly, detailed information regarding the Issuer has not been included in this Official Statement; provided, that the audited financial statements of the Issuer for the fiscal year ended June 30, 2016 and the unaudited financial statements of the Issuer for the fiscal year ended June 30, 2017 are included in Appendix C hereto. See "APPENDIX C – FINANCIAL STATEMENTS OF THE ISSUER."

THE SYSTEM AND THE SANITARY BOARD

Pursuant to the Act and an ordinance adopted January 12, 1993, custody, administration, operation and maintenance of the System were placed under the supervision and control of the Sanitary Board. City Council retains the power to establish and maintain rates and charges for the use of services provided by the System and to issue bonds for the purpose of paying the costs of improvements and extensions to the System and refunding bonds previously issued for such purpose.

The System currently consists of approximately 8.56 miles of combined wastewater and stormwater gravity sewer lines, approximately 0.92 miles of force main sewer lines, 2 sewage lift stations, and a 400,000 gallon per day wastewater treatment plant. One of the purposes of the Project is to reduce the inflow and infiltration of storm water into the System. Accordingly, after completion of the Project the 8.56 miles of combined wastewater and stormwater gravity sewer lines referenced above are intended to become primarily gravity sanitary sewer lines. The wastewater treatment plant is located in the eastern portion of the City on 3.65 acres of property owned by the Issuer. The System provides sewage collection

and treatment services to more than 99% of the population of the City of Salem. The System is currently a "combined system," in that both stormwater and sanitary sewage enter the System. However, as referenced above, after completion of the Project it is intended that the System will become primarily a sanitary sewage system. Treated effluent is discharged into the Salem Fork, a tributary of Tenmile Creek.

For information regarding the Sanitary Board and the System, including the applicable rates, see "APPENDIX B – THE SYSTEM AND THE SANITARY BOARD," "APPENDIX C – FINANCIAL STATEMENTS OF THE ISSUER," and "APPENDIX G – RATE TARIFF."

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Coverage Ratios

Under the Ordinance, the Issuer has covenanted that the schedule or schedules of rates and charges from time to time in effect shall be sufficient to produce Net Revenues equal to not less than 115% of the Maximum Annual Debt Service on the Bonds, and any hereinafter issued additional Parity Bonds, or subordinate bonds, and in any Fiscal Year.

The following table presents the historical audited debt service coverage for the fiscal years ended June 30 2014, 2015 and 2016, and the estimated projected debt service coverage for the fiscal years ending June 30, 2017, 2018 and 2019.

Historical and Projected Debt Service Coverage

	Historical			Projected[2]		
	FY 2014 (Audited)	FY 2015 (Audited)	FY 2016 (Audited)	FY 2017 (Projected)	FY 2018 (Projected)	FY 2019[3] (Projected)
Operating Revenues	791,254	851,676	773,873	818,351	818,351	818,351
Interest/Other Income	87	100	427	710	710	710
Total Cash	791,341	851,776	774,300	819,061	819,061	819,061
Less O&M Expenses [1]	342,967	457,784	369,414	415,927	428,405	441,257
Cash Available for Debt Service	448,374	393,992	404,886	403,134	390,656	377,804
Debt Service Requirements	267,660	267,660	267,660	149,535	110,160	291,819
Debt Service Coverage	1.675163	1.471987	1.512688	2.695917	3.546262	1.294652

(1) Net of Depreciation and Amortization.

(2) Preliminary. Subject to Change.

(3) Includes estimated Debt Service of the Series 2018 Bonds.

Source: The City and City's Utility Accountant

Projected Financial Information

Neither the Issuer nor the Sanitary Board as a matter of course makes public projections as to future revenues, expenses, increases in net assets or other results. However, the officials of the Sanitary Board have prepared the prospective financial information set forth above to present the full scope of the System. The prospective financial information was not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the Sanitary Board's officers, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of such officers' knowledge and belief, the expected course of action and the expected future financial performance of the System. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information. Neither the Issuer's independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

DEBT SERVICE REQUIREMENTS

The following table sets forth for each fiscal year during which the Series 2018 A Bonds and Series 2018 B Bonds will be outstanding, beginning Fiscal Year ending June 30, 2019, the amounts payable for debt service on the Series 2018 A Bonds and Series 2018 B Bonds from Net Revenues.

	Series 2018 A*					Series 2018 B*					Total*
Fiscal Year (June 30)	Principal	Interest	Debt Service	Debt Service Reserve Fund	Net Debt Service	Principal	Interest	Debt Service	Debt Service Reserve Fund	Net Debt Service	Net Debt Service
2019	55,000.00	56,672.57	111,672.57	-	111,672.57	45,000.00	98,336.98	143,336.98	-	143,336.98	255,009.55
2020	75,000.00	45,362.50	120,362.50	-	120,362.50	85,000.00	80,268.76	165,268.76	-	165,268.76	285,631.26
2021	80,000.00	43,037.50	123,037.50	-	123,037.50	85,000.00	77,718.76	162,718.76	-	162,718.76	285,756.26
2022	80,000.00	40,637.50	120,637.50	-	120,637.50	90,000.00	75,093.76	165,093.76	-	165,093.76	285,731.26
2023	85,000.00	38,056.25	123,056.25	-	123,056.25	90,000.00	72,281.26	162,281.26	-	162,281.26	285,337.51
2024	85,000.00	35,293.75	120,293.75	-	120,293.75	95,000.00	69,275.01	164,275.01	-	164,275.01	284,568.76
2025	90,000.00	32,450.00	122,450.00	-	122,450.00	100,000.00	66,106.26	166,106.26	-	166,106.26	288,556.26
2026	90,000.00	29,412.50	119,412.50	-	119,412.50	100,000.00	62,731.26	162,731.26	-	162,731.26	282,143.76
2027	95,000.00	26,175.00	121,175.00	-	121,175.00	105,000.00	59,143.76	164,143.76	-	164,143.76	285,318.76
2028	100,000.00	22,762.50	122,762.50	-	122,762.50	110,000.00	55,381.26	165,381.26	-	165,381.26	288,143.76
2029	100,000.00	19,137.50	119,137.50	-	119,137.50	110,000.00	51,393.76	161,393.76	-	161,393.76	280,531.26
2030	105,000.00	15,293.75	120,293.75	-	120,293.75	115,000.00	47,175.01	162,175.01	-	162,175.01	282,468.76
2031	110,000.00	11,262.50	121,262.50	-	121,262.50	120,000.00	42,768.76	162,768.76	-	162,768.76	284,031.26
2032	115,000.00	6,900.00	121,900.00	-	121,900.00	125,000.00	38,018.76	163,018.76	-	163,018.76	284,918.76
2033	115,000.00	2,300.00	117,300.00	(124,512.50)	(7,212.50)	130,000.00	32,918.76	162,918.76	-	162,918.76	155,706.26
2034						135,000.00	27,534.38	162,534.38	-	162,534.38	162,534.38
2035						140,000.00	21,862.50	161,862.50	-	161,862.50	161,862.50
2036						145,000.00	15,984.38	160,984.38	-	160,984.38	160,984.38
2037						155,000.00	9,796.88	164,796.88	-	164,796.88	164,796.88
2038						160,000.00	3,300.00	163,300.00	(167,993.76)	(4,693.76)	(4,693.76)
Total	$ 1,380,000.00	$ 424,753.82	$ 1,804,753.82	$ (124,512.50)	$ 1,680,241.32	$ 2,240,000.00	$ 1,007,090.26	$ 3,247,090.26	$ (167,993.76)	$ 3,079,096.50	$ 4,759,337.82

*Preliminary. Subject to Change.

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INVESTMENT CONSIDERATIONS

The following discussion of investment considerations is not meant to be an exhaustive list of the considerations relating to the purchase of the Series 2018 Bonds, and the order in which the factors are described does not necessarily reflect the relative importance of the various factors.

Net Revenue Pledge

The Series 2018 Bonds are secured solely by the Net Revenues of the System. There can be no guarantee that current rates of the System will always produce revenue sufficient to first pay the operating expenses of the System and then pay the debt service on the Series 2018 Bonds and any hereinafter additional Parity Bonds. The Issuer has covenanted in the Resolution to raise the rates of the System if the Net Revenues of the System are not sufficient to provide 115% coverage of the maximum annual debt service of the Series 2018 Bonds, and all bonds issued on a parity with, or subordinate to, the Series 2018 Bonds. Currently under State law municipal sewer utilities do not have the ability to adjust rates without the possibility of regulatory review by the Commission.

Net Revenues sufficient to pay the debt service on the Series 2018 Bonds depend on the retention of current customers by the Issuer. An unexpected loss of customers by the Issuer and corresponding reduction in sewer usage could have an adverse effect on the ability of the Issuer to make the required payments on the Series 2018 Bonds. Additionally, a significant reduction in the amount of water used by customers of the Issuer and a corresponding reduction in sewer usage may also have an adverse impact on the Issuer's ability to make the required payments on the Series 2018 Bonds.

Special, Limited Obligations

The Series 2018 Bonds are special, limited obligations of the Issuer, payable from and secured by the Net Revenues of the System and with respect to the Series 2018 A Bonds only, from funds on deposit in the Series 2018 A Bonds Sinking Fund and the reserve account established therefor, and with respect to the Series 2018 B Bonds only, from funds on deposit in the Series 2018 B Bonds Sinking Fund and the reserve account established therefor. The obligation of the Issuer to pay debt service on the Series 2018 Bonds does not constitute an obligation of the Issuer to levy or pledge any form of taxation or for which the Issuer has levied or pledged any form of taxation, and the Issuer shall not be obligated to pay the Series 2018 Bonds, or premium, if any, or the interest thereon, except from such Net Revenues and such funds on deposit in the Series 2018 A Bonds Sinking Fund and the Series 2018 A Bonds Reserve Account, and such funds on deposit in the Series 2018 B Bonds Sinking Fund and the Series 2018 B Bonds Reserve Account. The pledge is only of the Net Revenues, meaning that the operation and maintenance expenses of the System are paid prior to debt service.

Financial Difficulties of the Issuer

The Bonds are payable only from the Net Revenues of the System, which are pledged to their payment. No other funds of the Issuer are available or expected to be used to pay the Bonds. Likewise, the Gross Revenues of the System are not used for other purposes of the Issuer. Accordingly, detailed information regarding the Issuer has not been included in this Official Statement. However, although operated by the Sanitary Board, the System is owned by and constitutes an asset of the Issuer. As such, any severe financial difficulties of the Issuer could adversely affect the market value of the Series 2018 Bonds. See "APPENDIX C – FINANCIAL STATEMENTS OF THE ISSUER."

Future Legislation or Administrative Rules or Actions

Current or future legislative proposals, if enacted into law, may cause interest on the Series 2018 Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent holders of the Series 2018 Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals may also affect the market price for, or

marketability of, the Series 2018 Bonds. Prospective purchasers of the Series 2018 Bonds should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

It is not an event of default on the Series 2018 Bonds if any legislation is enacted reducing or eliminating the exclusion of interest on state and local government bonds from gross income for federal income tax purposes.

Future legislation or administrative rules or interpretation of existing legislation or rules, including but not limited to environmental legislation or rules, could significantly affect the operating or capital expenditure burden of the Sanitary Board.

The Public Service Commission of West Virginia

In West Virginia, municipal sewer utilities such as the System are subject to regulatory oversight by the Public Service Commission of West Virginia (the "Commission"). Such regulation specifically includes, but is not limited to: (A) pursuant to Chapter 24, Article 2, Section 11 of the Code of West Virginia, 1931, as amended, utilities must obtain a certificate of public convenience and necessity prior to proceeding to construction for projects which are outside of "the usual course of business;" and (B) rate increases enacted by the Council of the Issuer are subject to review by the Commission for regulatory "notice" requirements and, under certain circumstances, the Commission may review, and adjust, the actual enacted rates. The parameters surrounding Commission review are discussed below. Such regulatory review may delay or halt the implementation of rate increases which could cause the Issuer to fail to meet rate covenants or produce revenue sufficient to pay debt service.

The Commission has two levels of review. Most cases are initially assigned to an administrative law judge ("ALJ") for decision. The Commission employs a "staff" comprised of engineers, lawyers and financial analysts (the "Staff") to review cases and make recommendations. The Issuer is also permitted to make recommendations, as are other parties who are granted "intervenor" status. The ALJ may conduct a hearing, at which evidence is presented and witnesses for all parties may be cross-examined, after which a recommended decision is issued. Any party to the underlying proceeding, including a party granted intervenor status, may take exception to the recommended decision of the ALJ, in which case the matter is referred to the full Commission for decision.

Commission Regulatory Oversight of Notice of Requirements for Rate Increases

Pursuant to Chapter 8, Article 11, Section 4, Chapter 16, Article 13, and Chapter 24, Article 2, Section 4b of the Code of West Virginia, 1931, as amended, the Council of the Issuer has the ability to establish rates for the sewerage utility through the enactment of an ordinance, following a public hearing on such ordinance. In the enactment of such an ordinance, the Issuer must comply with regulations of the Commission related to providing notice of such proposed rate increase. The Commission reviews the compliance of the Issuer with such regulations and, if the Commission determines that the Issuer has failed to satisfy the requirements of the regulations, the Commission may declare the rate ordinance invalid.

In such instance, the Issuer would have no choice but to reenact the ordinance.

Commission Review of Enacted Rates and Charges for System

Once the ordinance is enacted by the Issuer, the proposed rates and changes for the System are subject to review by the Commission under the following scenarios:

1. More than 25% of the customers of the Issuer sign a petition asking that the Commission review the rates enacted by the Issuer; or

2. A customer of the Issuer, which resides within the municipal boundaries of the Issuer, alleges in writing that the rates enacted by the Issuer are "discriminatory"; or

3. A customer of the Issuer, which resides outside of the municipal boundaries of the Issuer, alleges in writing that the rates enacted by the Issuer are "discriminatory."

If any of the above occurs, the Commission then takes "jurisdiction" over the rates, initiating an investigation into the reasonableness of the enacted rates. Pursuant to Chapter 24, Article 2, Section 4b of the Code of West Virginia, 1931, as amended (the "PSC Act"), the rates enacted by the Issuer are suspended for 120 days from the date the rates would otherwise have gone into effect (i.e., immediately upon enactment if the rate increase results in an increase of less than 25% of the gross revenue of the utility; otherwise, 45 days from enactment of the rate ordinance) and the new rates, if any, established by the Commission will go into effect at that end of the suspension period.

The Commission views the term "discrimination" to include more situations than those where a different rate is applied to resident and non-resident customers. The Supreme Court of Appeals of West Virginia previously affirmed the Commission's interpretation of the term "discrimination" when the court held that verified allegations, "which included the failure of the [municipality] to perform a class cost of service study and the discriminatory imposition of certain costs to resale customers, were sufficient to meet the requirements" found in the PSC Act. *City of Wheeling v. Pub. Serv. Comm'n of W. Va.,* 199 W. Va. 252, 257, 483 S.E.2d 835, 840 (1997).

Potential Delays for the Implementation of Rate Increases

Generally, the process of enacting a rate ordinance requires a minimum of two weeks (two readings by Council, separated by sufficient time to allow for the publication of a public hearing prior to the second reading, with the first publication for the public hearing being not less than 10 days prior to the date of the publication). Pursuant to the PSC Act and regulations of the Commission, the rates can go into effect immediately upon enactment if the rate increase results in an increase of less than 25% of the gross revenue of the utility; provided, however, that revenues collected from rates put into effect upon enactment may be subject to refund if the rates are subsequently disapproved or modified by the Commission in an appeal proceeding. If the rate increase is greater than 25% of the gross revenue of the utility, then the new rates cannot go into effect any sooner than 45 days from the date of enactment, provided that an appeal of the proposed rates does not occur. In the event that the Commission takes jurisdiction of the rate increase, the Commission will establish a decision due date for the ALJ, that is generally 30 days prior to the end of the 120-day suspension period. If any of the parties, however, appeal the ALJ's recommended decision to the full Commission, the Commission will render its decision no later than the end of the 120-day suspension period. Additionally, a decision of the Commission may be appealed to the Supreme Court of Appeals of West Virginia, which has no statutory time frame within which to render a decision.

A final decision of the Commission may be appealed to the Supreme Court of Appeals of West Virginia, which Court has no statutory time frame within which to render a decision. While a party does have the right to appeal a Commission decision, the Supreme Court of Appeals of West Virginia has "'previously held, in deference to the Commission's expertise, that the Court will not substitute [its] judgment for that of the Commission on controverted evidence. However, findings of fact made by the Commission will be overturned as clearly wrong when there is no substantial evidence to support them.'" *Berkeley Utils., Inc. v. Pub. Serv. Comm'n of W. Va.*, 227 W. Va. 589, 595, 712 S.E.2d 498, 504 (2011) (quoting *Chesapeake and Potomac Tel. Co. of W. Va. v. Pub. Serv. Comm'n of W. Va.*, 171 W. Va. 494, 498, 300 S.E.2d 607, 611 (1982)). In other words, the Court gives significant deference to decisions of the Commission. Commission-approved rates may be charged (provided that the applicable suspension period has ended) during an appeal to the Supreme Court of Appeals of West Virginia. If the appealing party prevails and new rates are established by the court, the new rates apply prospectively.

Consequently, the time period from the first reading of a rate ordinance to the increased rates being charged to the customers is a minimum of 14 days, and if the Commission takes jurisdiction, can exceed 180 days (Commission approved rates are billable during an appeal to the Supreme Court of Appeals of West Virginia). From the date the new rates begin to be charged, the Issuer should realize revenues in approximately 45 to 60 days. Resale customers are required to obtain authorization from the Commission for any necessary increase in resale rates. Such increases are often granted by the Commission after the rates for the Issuer go into effect, which means no assurance exists that resale customers will have sufficient revenues to begin paying the increased resale rates. The Commission can, and has on occasion, pre-approved resale rate increases in advance of the effective date of the new rates. As a result, resale customers may have the ability to begin charging the new resale rates of the Issuer as soon as the rates go into effect.

Test Year

If the Commission takes jurisdiction over a municipality's rate ordinance as described above, the regulations of the Commission require a municipality to file "financial justification" for the enacted rate increase. This financial justification must be based on financial data from the most recent actual audited or finally closed twelve-month period ending on a calendar quarter, also known as the "test year." Events which occur outside the test year are not generally permitted in the rate adjustment. A determination at the end of any twelve-month period that a rate increase is necessary may not result in increased rates and collections for nine months or more from the end of that period.

The Issuer has the option to proceed with a rate increase at any time during the course of the year; however, the financials examined by the Commission will be the financials for the most recent full fiscal year, not the 12-month period immediately preceding the date of the request.

Reliance on "Known and Measurable" Adjustments

When considering adjustments to the rates of a utility for costs occurring during the "test year," the Commission's regulations require that the need for, and amount of, such adjustments be based on information that is "known and measurable." As a result, a change in revenues or expenses must, in most cases, have occurred in the test year being analyzed. If an increase in a cost, or a decline in revenue, is anticipated for the coming year, the Commission generally will not take such change into account for rate-making purposes unless the change occurs during the test year.

As a result of the requirement that the support for adjustments be "known and measurable," the Commission will generally not allow multi-year rate increases to address anticipated inflation or drops in customer usage. Therefore, the Issuer must initiate the rate ordinance process, and potential Commission review, whenever increased costs or decreased revenues necessitate a rate increase.

Emergency Rate Increase

The PSC Act permits utilities to request from the Commission "emergency rates" if the utility is in "financial distress." Financial distress has been defined by the Commission to mean the utility is unable to pay operation and maintenance expenses and the principal and interest on the utility's debt obligations. Such rates, however, are subject to refund, in the event the Commission determines that the emergency rates, or any portion thereof, are not warranted. Generally, emergency rates CANNOT be obtained to meet coverage requirements in bond documents.

Treatment of Renewal and Replacement Funds

Most municipal sewerage utilities in the State are required, pursuant to the terms of their outstanding bonds, to deposit 2.5% of gross revenues in a "Renewal and Replacement Fund" or

"Depreciation Account" each month. The purpose of this account is to provide monies for capital repairs and improvements, to construct extensions and to make up deficiencies in the reserve funds. In recent years, the Commission has taken the position that while the deposits should be made into the Account each month, such deposits are to be included in the calculation of the Issuer's funds available for capital additions for the Fiscal Year. The Commission generally calculates funds available for capital additions by averaging capital additions for the last five years; provided, however, the Commission will consider a different calculation if the utility can demonstrate the need for a higher capital requirement. Consequently, the Issuer is not permitted to accumulate funds to be used for unforeseen capital repairs and replacements, for needed extensions or to replenish draws from the reserve funds as the account is to be utilized each year as part of the ongoing capital expenditures for the system. The Issuer's inability to maintain funds for emergencies increases its risk of utilizing revenues to pay for emergency repairs leaving insufficient funds to pay debt service on the Bonds.

Pending State Legislation regarding PSC Regulation

Senate Bill 515 ("SB 515") is presently pending before the West Virginia Senate. As presently drafted, SB 515 would provide that, after July 1, 2018, water and sewer utilities that are political subdivisions of the State and have annual gross revenues of $1,000,000 or more, from water service, sewer service, or both, will, among other things:

1. No longer be required to obtain Commission approval for construction projects which are "outside the normal course of business," and the governing body of such political subdivision will, instead, be required to enact, following adequate notice and a public hearing, an ordinance describing the project to be undertaken; and

2. No longer be subject to the jurisdiction of the Commission to review ordinances modifying rates and/or charges for water service or sewer service, unless a customer files a formal complaint with the Commission and the Commission finds such action by the political subdivision to be "unjust, unreasonable, insufficient or unjustly discriminatory."

The likelihood that SB 515 will be enacted into law is unknown at this time, and cannot be reasonably predicted.

Annual Municipal Audit

Pursuant to Chapter 6, Article 9 of the Code of West Virginia, 1931, as amended (the "Audit Act"), the State Auditor, as the chief inspector and supervisor of public offices (the "Chief Inspector") is charged with the responsibility of (1) formulating, prescribing and installing a system of accountability for all local units of government in West Virginia, including municipalities, and (2) examining the financial affairs of every local government office or political subdivision and all boards, commissions, authorities, agencies or other offices. The Issuer is a local government under the Audit Act. Accordingly, pursuant to Section 7 of the Audit Act, an audit of the Issuer's finances must be accomplished by the Chief Inspector or any person appointed by him. Accordingly, the actions or lack of actions of the Chief Inspector may adversely impact the ability to have the annual audited financial information required to be submitted to EMMA pursuant to the Continuing Disclosure Agreement. See "CONTINUING DISCLOSURE" herein. Additionally, the Issuer has no power to require the Chief Inspector to take any action required under such procedures that would ensure the completion of the audit to meet the timely filing of such information. The Sanitary Board is included as part of the audit of the Issuer. See "APPENDIX C – FINANCIAL STATEMENTS OF THE ISSUER."

Limitation on Remedies and Limited Recourse on Default

The remedies available to the owners of the Series 2018 Bonds upon the occurrence of an event of default with respect to the Series 2018 Bonds are in many respects dependent upon judicial actions

which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition, the rights and remedies of the owners of the Series 2018 Bonds under the Ordinance and state law may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditor's rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities and sanitary boards in the State of West Virginia. The opinions delivered by Bond Counsel concurrently with the issuance of the Series 2018 Bonds will be subject to such limitations and the various legal opinions to be delivered concurrently with the issuance of the Series 2018 Bonds will be similarly qualified. See "APPENDIX E – PROPOSED FORM OF BOND COUNSEL OPINION."

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the Series 2018 Bonds or, if a secondary market exists, that any Series 2018 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Accordingly, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

LITIGATION

There is no litigation or other proceeding pending or, to the knowledge of the Issuer, threatened to restrain or enjoin the issuance, sale, or delivery of the Series 2018 Bonds, or in any way contesting the validity or enforceability of the Series 2018 Bonds, or the proceedings pursuant to which the Series 2018 Bonds are issued.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the unqualified approving opinion of Steptoe & Johnson PLLC, Bond Counsel, whose opinion will be delivered concurrently with the delivery, upon original issuance, of the Bonds. Certain legal matters will be passed upon for the Issuer by Harrold & Kramer, PLLC doing business as Mountain State Law, as counsel to the Issuer, and Bowles Rice LLP will pass upon certain matters as counsel for the Underwriter.

TAX MATTERS

General

In the opinion of Bond Counsel, under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Series 2018 Bonds (i) is excludable from gross income of the holders thereof for federal income tax purposes, assuming compliance with certain provisions described herein pertaining to the Code; (ii) is not a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the federal alternative minimum tax imposed on individuals and corporations; although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income for taxable years that began prior to January 1, 2018; and (iii) under the laws of the State of West Virginia, the Series 2018 Bonds, and the interest thereon, are exempt from taxation by the State of West Virginia and or any county, municipality, political subdivision or agency thereof.

The opinions described in this section are subject to the condition that the Issuer comply on a continuing basis with all requirements of the Code, and regulations thereunder that must be satisfied for interest on the Series 2018 Bonds to be or continue to be excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with

certain of such requirements could cause the interest on the Series 2018 Bonds to be included in the gross income of the recipients thereof for purposes of federal income taxation, including retroactively to the date of issuance of the Series 2018 Bonds.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Ordinance and the Tax Certificate relating to the Series 2018 Bonds permit certain actions to be taken or to be omitted if a favorable opinion of a bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest on any Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Series 2018 Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series 2018 Bonds might be affected as a result of such an audit of the Series 2018 Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Series 2018 Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Series 2018 Bonds or their market value.

Special Considerations with Respect to the Series 2018 Bonds

The accrual or receipt of interest on the Series 2018 Bonds may otherwise affect the federal income tax liability of the owners of the Series 2018 Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Prospective purchasers should be aware of certain collateral consequences which may result under federal tax law for certain holders of the Series 2018 Bonds: (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2018 Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Series 2018 Bonds, (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for losses incurred by 15 percent of the sum of certain items, including interest on the Series 2018 Bonds, (iii) interest on the Series 2018 Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iv) passive investment income, including interest on the Series 2018 Bonds, may be subject to federal income taxation under Section 1375 of the Code for an S Corporation that has Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such S Corporation is passive investment income, (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income receipts or accruals of interest on the Series 2018 Bonds, and (vi) receipt of investment income, including interest on the Series 2018 Bonds, may, pursuant to Section 32(i) of the Code, disqualify the recipient from obtaining the earned income credit provided by Section 32(a) of the Code.

Backup Withholding

Interest paid on tax-exempt obligations such as the Series 2018 Bonds is generally required to be reported by payors to the IRS and to recipients in the same manner as interest on taxable obligations. In addition, such interest may be subject to "backup withholding" if the Bondholder fails to provide the information required on IRS Form W-9, Request for Taxpayer Identification Number and Certification, or the IRS has specifically identified the Bondholder as being subject to backup withholding because of prior underreporting. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Series 2018 Bonds from gross income for federal tax purposes.

Changes in Federal and State Tax Law

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Series 2018 Bonds, including legislation, court decisions, or administrative actions, whether at the federal or state level, may affect the tax exempt status of interest on the Series 2018 Bonds or the tax consequences of ownership of the Series 2018 Bonds. No assurance can be given that future legislation, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the Series 2018 Bonds from gross income for federal income tax purposes or any state tax benefit. Tax reform proposals and deficit reduction measures, including the limitation of federal tax expenditures, are expected to be under ongoing consideration by the United States Congress. These efforts to date have included proposals to reduce the benefit of the interest exclusion from income for certain holders of tax-exempt bonds, including bonds issued prior to the proposed effective date of the applicable legislation. Future proposed changes could affect the market value or marketability of the Series 2018 Bonds, and, if enacted, could also affect the tax treatment of all or a portion of the interest on the Series 2018 Bonds for some or all holders. Holders should consult their own tax advisors with respect to any of the foregoing tax consequences.

In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2018 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2018 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2018 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2018 Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Qualified Tax-Exempt Obligations

Subject to the Issuer's compliance with certain covenants, in the opinion of Bond Counsel, the Series 2018 Bonds are "qualified tax-exempt obligations" under the small issuer exception provided under Section 265(b)(3) of the Code, which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code.

The Issuer has designated the Series 2018 Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Code, to the extent the Series 2018 Bonds are not deemed designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3)(D)(ii) of the Code. The Issuer and County have represented that the Series 2018 Bonds do not constitute private activity bonds as defined in Section 141 of the Code, and not more than $10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income tax purposes (excluding, however, obligations described in Section 265(b)(3)(C)(ii) of the Code), including the Series 2018 Bonds, have been or shall be issued by the Issuer, including all subordinate entities of the Issuer, during the calendar year 2018.

[Original Issue Discount

Original issue discount ("OID") is the excess, if any, of the stated redemption price at maturity over the issue price. The issue price is the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of the debt instrument was sold. The Series 2018 Bonds maturing on December 1, 20___, December 1, 20___, December 1, 20___, and December 1, 20___ (collectively, the "Discount Bonds"), were sold with OID. For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded annually (or over a shorter permitted compounding interval selected by the owner). The

portion of the OID that accrues during the period of ownership of a Discount Bond (i) will be interest excludable from the owners' gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Series 2018 Bonds, and (ii) will be added to the owner's tax basis for purposes of determining a gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond. A purchaser of a Discount Bond in the initial public offering at the price for that Discount Bond stated on the inside front cover page of this Official Statement who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond.

Owners of Discount Bonds should consult their own tax advisors as to the determination for federal income tax purposes of the amount of OID properly accruable in any period with respect to the Discount Bonds as to other federal tax consequences, and the treatment of the OID for purposes of state and local taxes on, or based on, income.

Original Issue Premium

The Series 2018 Bonds maturing on December 1, 20___ and December 1, 20___(collectively, the "Premium Bonds") were sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity in the case of the "Noncallable Premium Bonds" or their earlier call date in the case of the "Callable Premium Bonds." The difference between the principal amount payable at maturity of the Noncallable Premium Bonds and the tax basis of a Noncallable Premium Bond to a purchaser and the difference between the amount payable at the call date of the Callable Premium Bonds that minimizes the yield to a purchaser of a Callable Premium Bond and the tax basis to a purchaser (in either case, other than a purchaser who holds a Premium Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) will be "bond premium." For federal income tax purposes, bond premium is amortized over the period to maturity of a Noncallable Premium Bond. A purchaser of a Premium Bond will be required to decrease his or her adjusted basis in the Premium Bond by the amount of amortizable bond premium attributable to each taxable year he or she holds the Premium Bond. The amount of amortizable bond premium attributable to a taxable year will be determined at a constant interest rate compounded annually. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond.

Owners of Premium Bonds should consult their own tax advisors as to the determination for federal income tax purposes of the amount of bond premium properly accruable in any period with respect to the Premium Bonds as to other federal tax consequences, and the treatment of the bond premium for purposes of state and local taxes on, or based on, income.]

UNDERWRITING

The Series 2018 Bonds are being purchased by the Underwriter named on the cover of this Official Statement. The Bond Purchase Agreement provides that the Underwriter will purchase all the Series 2018 Bonds, if any are purchased, at a purchase price equal to the initial public offering prices set forth on the inside cover page hereof less an Underwriter’s discount of $_____, plus/less net original issue premium/discount of $_____. The obligation to make such purchase is subject to the terms and conditions set forth in the Bond Purchase Agreement, including the approval of certain legal matters by counsel. The Underwriter may change the initial public offering prices from time to time. The Underwriter may offer and sell Series 2018 Bonds to certain dealers (including dealers depositing Series 2018 Bonds into investment trusts) and certain dealer banks acting as agents at prices lower than the public offering prices stated on the cover page hereof, and such public offering price also may be changed without prior notice, from time to time, by the Underwriter.

FINANCIAL STATEMENTS

Included herein as Appendix C are the audited financial statements (and the report with respect thereto) of the Issuer as of June 30, 2016, prepared by Balestra, Harr & Scherer, CPAs, Inc. (the "Auditor") and the unaudited financial statements of the Issuer as of June 30, 2017 and related accountant's compilation report prepared by Jeremy D. Drennen, CPA, both of which financial statements include information with respect to the System. The Issuer has obtained the consent of the Auditor to include the audited financial statements as of June 30, 2016 in the Official Statement and the consent of Jeremy D. Drennen, CPA, to include the unaudited financial statements as of June 30, 2017 and related accountant's compilation report in the Official Statement.

CONTINUING DISCLOSURE

The Issuer has agreed to an undertaking (the "Undertaking") for the benefit of the Registered Owners of the Series 2018 Bonds to provide certain financial and operating information (the "Annual Financial Information") not later than the last day of the fiscal year (presently ending June 30) immediately following the end of the Issuer's fiscal year for which disclosure is due, commencing with the report for the fiscal year ending June 30, 2018, and to provide notice of the occurrence of enumerated events, all as further described in the Continuing Disclosure Agreement to be entered by the Issuer in substantially the form attached as Appendix H hereto. The Annual Financial Information and each notice of enumerated events are required to be filed electronically by United Bank, as dissemination agent on behalf of the Issuer, with the Electronic Municipal Markets Access system ("EMMA").

This continuing disclosure obligation is being undertaken by the Issuer to assist the Underwriter in complying with Rule 15c2-12 promulgated by the SEC. The Issuer has agreed to give notice in a timely manner to EMMA. However, any such failure will not constitute a default under the terms of the Ordinance or the Series 2018 Bonds. Under the Continuing Disclosure Agreement, the sole remedy for such failure is to seek an order for specific performance. See "APPENDIX H–FORM OF CONTINUING DISCLOSURE AGREEMENT." Registered Owners may contact Ronnie Davis, the City Manager of the Issuer at City of Salem, Box 352, Salem, West Virginia 26426, Phone 304-782-1318, for more information.

Prior Continuing Disclosure Undertakings

The Issuer has not previously entered into any continuing disclosure agreements with respect to any of its prior bonds.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such statements will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract or agreement with the purchasers or owners of the Series 2018 Bonds.

Copies of the Ordinance, the Undertaking, the Act and other applicable documents may be obtained from the Issuer at the following address:

City of Salem
229 West Main Street
P.O. Box 352
Salem, West Virginia 26426
Phone: 304-782-1318

or, during the period of offering the Series 2018 Bonds, from the Underwriter. Ongoing financial information may be obtained from the Issuer at the address set forth above.

This Official Statement has been duly approved and its execution and distribution authorized by the Issuer and the Sanitary Board.

CITY OF SALEM, WEST VIRGINIA

By: _____
Mayor

SALEM SANITARY BOARD

By: _____
Chairman

APPENDIX A

CITY OF SALEM, WEST VIRGINIA AND HARRISON COUNTY
ECONOMIC AND DEMOGRAPHIC DATA

The City is located in western Harrison County, West Virginia, along Salem Fork, a tributary of Tenmile Creek, in the north central portion of the State. The City has a total area of 1.34 square miles.

Government

The City was first chartered as the Town of New Salem in 1794 by legislative enactment of the Virginia Assembly and was incorporated as the City of Salem by the State of West Virginia on February 25, 1905. The City presently operates under the manager-mayor form of government pursuant to a charter adopted as of July 1, 1996. The City is governed by a six-member City Council elected for a two-year term by the voters of the City. The Mayor and the members of City Council and their current terms are as follows:

		Term of Office
Mayor	James Robert Samples	7/1/17 – 6/30/21
Council Members	Shawnette Stout	11/14/17 – 6/30/19
	Isaac Samples	7/1/17 – 6/30/21
	John Golden	7/1/17 – 6/30/21
	John Sinnett	7/1/15 – 6/30/19
	Nancy Siders	11/28/17 – 6/30/19
	Judith Davisson	7/1/17 – 6/30/21
City Manager	Ronnie Davis	

The duly appointed City Clerk of the City is Kayla Nicholas.

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USA Towns in Profile: City of Salem, West Virginia

People & Housing	
Population Estimate (2016)	1,552
H.S. Diploma or More - % of Adults 25+ (2016)	84.30%
Bachelor's Deg. or More - % of Adults 25+ (2016)	18.20%
Households (2016)	570
Total Housing Units (2016)	751
Percent of Total Units Vacant for Seasonal or Recreational Use (2016)	1.60%
Source: U.S. Census Bureau, American Community Survey, latest 5-Year Estimates	

Employment & Income	
Labor Force (persons working in the area) (2016)	643
Unemployment Rate (2016)	6.8
Median Household Income (2016)	$35,000
Median Family Income (2016)	$42,784
Poverty Rate (2016)	21.9
Mean Travel Time to Work (minutes) (2016)	23.1
Source: U.S. Census Bureau, American Community Survey, latest 5-Year Estimates	

Population By Age, 2016				
	City of Salem, West Virginia	Pct. of Total	West Virginia	Pct. of Total
Total	1,552	100%	1,846,092	100%
Preschool (0 to 4)	132	8.50%	101,908	5.50%
School Age (5 to 17)	230	14.80%	277,940	15.10%
College Age (18 to 24)	277	17.80%	169,126	9.20%
Young Adult (25 to 44)	348	22.40%	446,781	24.20%
Adult (45 to 64)	342	22.00%	522,213	28.30%
Older Adult (65 plus)	223	14.40%	328,124	17.80%
Median Age*	34.2		41.9	
Source: U.S. Census Bureau, American Community Survey, latest 5-Year Estimates				
**Median Age is averaged for combined areas*				

Population by Race and Hispanic Origin, 2016				
	City of Salem, West Virginia	Pct. of Total	West Virginia	Pct. of Total
Total	1,552	100%	1,846,092	100%
American Ind. or Alaskan Native Alone	0	0.00%	3,281	0.20%
Asian Alone	4	0.30%	13,990	0.80%
Black Alone	53	3.40%	63,305	3.40%
Native Hawaiian and Other Pac. Isl. Alone	0	0.00%	648	0.00%
White Alone	1,485	95.70%	1,725,411	93.50%
Two or More Race Groups	10	0.60%	33,726	1.80%
Hispanic or Latino:				
Total Hispanic or Latino	13	0.80%	26,247	1.40%
Mexican	9	0.60%	11,585	0.60%
Cuban	0	0.00%	1,273	0.10%
Puerto Rican	0	0.00%	5,059	0.30%
Other	4	0.30%	8,330	0.50%
Source: U.S. Census Bureau, American Community Survey, latest 5-Year Estimates				

Educational Attainment, 2016				
	City of Salem, West Virginia	Pct. of Total	West Virginia	Pct. of Total
Total Population 25 and Older	913	100.00%	1,297,118	100.00%
Less Than 9th Grade	35	3.80%	64,047	4.90%
9th to 12th, No Diploma	108	11.80%	126,101	9.70%
High School Graduate (incl. equiv.)	343	37.60%	524,971	40.50%
Some College, No Degree	218	23.90%	240,404	18.50%
Associate Degree	43	4.70%	87,889	6.80%
Bachelor's Degree	98	10.70%	153,834	11.90%
Graduate or Professional Degree	68	7.40%	99,872	7.70%
Source: U.S. Census Bureau, American Community Survey, latest 5-Year Estimates				

Households, 2016				
	City of Salem, West Virginia	Pct. of Total	West Virginia Households	Pct. of Total
Total Households	570	100.00%	739,397	100.00%
Family Households	387	67.90%	478,833	64.80%
Married with Children	89	15.60%	116,125	15.70%
Married without Children	152	26.70%	244,165	33.00%
Single Parents	96	16.80%	59,794	8.10%
Other	50	8.80%	58,749	7.90%
Non-family Households	183	32.10%	260,564	35.20%
Living Alone	146	25.60%	220,872	29.90%
Average Household Size	2.4		2.4	
Average Family Household Size	3		3	
Source: U.S. Census Bureau, American Community Survey, latest 5-Year Estimates				

Housing Units, 2016				
	City of Salem, West Virginia	Pct. of Total	West Virginia Units	Pct. of Total
Total Housing Units	751	100.00%	884,728	100.00%
Owner Occupied	381	50.70%	535,940	60.60%
Renter Occupied	189	25.20%	203,457	23.00%
Vacant For Seasonal or Recreational Use	12	1.60%	44,769	5.10%
1-Unit (Attached or Detached)	451	60.10%	547,618	61.90%
2 - 9 Units	49	6.50%	52,881	6.00%
10 - 19 Units	3	0.40%	12,509	1.40%
20 or more Units	26	3.50%	19,044	2.20%
Built prior to 1940	366	48.70%	144,522	16.30%
Source: U.S. Census Bureau, American Community Survey, latest 5-Year Estimates				

Resident Occupations, 2016				
	City of Salem, West Virginia	Pct. of Total	West Virginia	Pct. of Total
Employed civilian pop. 16 years and over	599	100.00%	750,412	100.00%
Management, professional, and related	104	17.40%	242,501	32.30%
Service	205	34.20%	144,963	19.30%
Sales and office	156	26.00%	179,113	23.90%
Farming, fishing, and forestry	0	0.00%	3,342	0.40%
Construction, extraction, and maintenance	52	8.70%	83,769	11.20%
Production, transportation, and material moving	82	13.70%	96,724	12.90%
Source: U.S. Census Bureau, American Community Survey, latest 5-Year Estimates				

**The data in the charts above come from the following source: http://www.statsamerica.org/town. StatsAmerica is a service of the Indiana Business Research Center at Indiana University's Kelley School of Business. This initiative is funded in part by the U.S. Commerce Department's Economic Development Administration.)*

Population

As of the 2010 Census, there were 1,586 people, 662 households and 384 families residing in the City. The median age of the City's population is approximately 36.1.

In 2000, there were 2,006 people, 745 households, and 397 families residing in the City. The median age of the City's population was approximately 30.6

The population change between 2000 and 2010 was -420 people, or -20.94% of the population.

Median family income levels in the City (as of 2000, the most recent year for which data is available) are approximately $27,688, and per capita income is $11,188.

[Source: U. S. Census 2010; U.S. Census 2000]

USA Counties in Profile: Harrison County, West Virginia

People & Income Overview (By Place of Residence)	Value	Rank in U.S.	Industry Overview, 2016 (By Place of Work)	Value	Rank in U.S.
Population (2016)	68,400	784	Covered Employment	35,206	629
Growth (%) since 2010 Census	-1.00%	1,689	Avg Wage per Job	$45,728	465
Households (2016)	27,652	744	Manufacturing - % All Jobs in County	4.40%	2,204
Labor Force (persons) (2016)	32,181	768	Avg Wage per Job	$54,734	723
Unemployment Rate (2016)	5.8	960	Transportation & Warehousing - % All Jobs in County	4.90%	534
Per Capita Personal Income (2016)	$42,664	1,027	Avg Wage per Job	$53,816	372
Median Household Income (2016)	$46,548	1,712	Health Care, Social Assist. - % All Jobs in County	19.10%	242
Poverty Rate (2016)	14.6	1,616	Avg Wage per Job	$48,712	402
High School Diploma or More - % of Adults 25+ (2016)	87.70%	1,466	Finance and Insurance - % All Jobs in County	1.90%	1,874
Bachelor's Degree or More - % of Adults 25+ (2016)	21.60%	1,466	Avg Wage per Job	$52,380	960

**The data in the charts above come from the following source: http://www.statsamerica.org/county. StatsAmerica is a service of the Indiana Business Research Center at Indiana University's Kelley School of Business. This initiative is funded in part by the U.S. Commerce Department's Economic Development Administration.)*

Annual Report on the Civilian Labor Force, Employment, and Unemployment

For:

Harrison County, West Virginia

Annual Average Labor Force Statistics

	2016	2015	2014	2013	2012	2011	2010
Civilian Labor Force	32,180	31,890	31,830	31,770	31,410	31,380	31,250
Employment	30,320	29,870	30,110	30,010	29,360	29,140	28,870
Unemployment	1,860	2,020	1,720	1,760	2,050	2,240	2,380
Unemployment rate	5.8	6.3	5.4	5.5	6.5	7.1	7.6

Annual Average Total Nonfarm Payroll Employment by Industry

Total nonfarm	37,480	37,540	37,880	37,120	36,060	35,780	35,160
Total private	29,280	29,520	29,860	28,910	27,700	27,460	26,790
Goods-producing	4,250	4,490	5,130	4,710	4,320	4,360	4,020
Mining and logging	930	990	1,240	1,160	1,020	970	720
Construction	1,800	1,890	2,220	1,860	1,520	1,520	1,510
Manufacturing	1,520	1,610	1,660	1,700	1,780	1,880	1,790
Service-providing	33,240	33,050	32,750	32,410	31,740	31,410	31,140
Private service-providing	25,040	25,030	24,730	24,200	23,380	23,100	22,770
Trade, transportation, and utilities	8,110	8,150	7,990	7,740	7,490	7,720	7,630
Wholesale Trade	1,380	1,500	1,460	1,350	1,230	1,170	1,150
Retail trade	4,740	4,730	4,700	4,740	4,680	4,680	4,590
Transportation and warehousing	1,990	1,930	1,820	1,660	1,580	1,880	1,890
Information	540	550	530	540	580	610	610
Professional and business servic..	3,540	3,480	3,430	3,310	3,020	2,840	2,670
Education and health services	6,160	6,070	5,970	5,910	5,770	5,600	5,410
Leisure and hospitality	3,340	3,310	3,280	3,260	3,140	2,990	3,090
Other services	2,170	2,220	2,290	2,310	2,290	2,280	2,310
Government	8,200	8,020	8,020	8,210	8,360	8,320	8,370
Federal	3,980	3,860	3,940	4,110	4,110	4,100	4,170
State government	970	960	960	1,030	1,060	1,070	1,040
Local government	3,260	3,200	3,120	3,080	3,190	3,140	3,150

**Source: WorkForce West Virginia – http://workforcewv.org/public-information.html*

Economic Activity

The December 2017 unemployment rate (the most recent month for which data is available) for Harrison County was 4.8% and for the State it was 5.5%. Annual unemployment rates for the past five years in Harrison County, West Virginia, and the United States were as follows:

Year	Harrison County	West Virginia	United States
2017	4.8%	5.0%	4.4%
2015	6.3%	6.7%	5.3%
2014	5.4%	6.6%	6.2%
2013	5.5%	6.7%	7.4%

[Source: U.S. Bureau of Labor and Statistics]

Major employers in Salem, West Virginia are as follows:

Employer	Approximate Employment/Occupants
Salem Correctional Center	148 Employees, 388 Inmates
Salem Center, a Genesis Healthcare Facility	80 Employees, 74 patients
Salem International University	75 Employees, 40 Students on Campus
Salem Elementary School	45 Employees, 276 Students
Salem IGA	42 Employees

[Source: City of Salem]

Salem International University, with a student enrollment of approximately 848, is located in the City.

[Source: National Center for Education Statistics]

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Major employers in Harrison County are as follows:

Employer	Approximate Employment
U.S. Department of Defense	500+
United Hospital Center	500+
VA Hospital	500+
Wal-Mart	500+
Pratt & Whitney Engine Services	200-499
Bombardier Services Corp.	200-499
Mountain State Auto Auction	200-499
W.V. Department of Highways	200-499
GrafTech International Holdings	200-499
Dominion Transmission Corp.	200-499

[Source: West Virginia Department of Commerce]

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APPENDIX B

THE SYSTEM AND THE SANITARY BOARD

Pursuant to Chapter 16, Article 13 of the Code of West Virginia, 1931, as amended, and an ordinance adopted January 12, 1993, custody, administration, operation and maintenance of the System are under the supervision and control of the Sanitary Board. City Council retains the power to establish and modify rates and charges for the use of services provided by the System and to issue bonds on behalf of the City secured by the Net Revenues of the System for the purpose of paying the costs of improvements and extensions to the System.

Balestra, Harr & Scherer, CPAs, Inc. (the "Auditor") has prepared audited Annual Financial Reports for the Issuer for the fiscal year ending June 30, 2016 (the "Audit") which include certain information relating to the System. The unaudited financial statements of the Issuer as of June 30, 2017 and related accountant's compilation report prepared by Jeremy D. Drennen, CPA, also include certain information relating to the System. Certain data contained in the Audit and unaudited financial statements of the Issuer as of June 30, 2017 has been summarized in this Official Statement and attributed when so summarized; data not attributed has been provided by the City or the Sanitary Board in one or more reports, studies or certifications, including Annual Reports filed with the West Virginia Public Service Commission. For additional and more complete information, reference should be made to the Sanitary Board itself or to the Audit for the fiscal year ending June 30, 2016, and unaudited financial statements of the Issuer as of June 30, 2017 and related accountant's compilation report prepared by Jeremy D. Drennen, CPA, copies of which are included in Appendix C.

The Series 2018 Bonds have a first, equal and pro rata lien on all the Net Revenues derived from the operation of the System. The Series 2018 Bonds are limited special revenue obligations of the Issuer payable solely from the Net Revenues derived from the operation of the System. The Series 2018 Bonds are not general obligations of the Issuer, and the holders or owners thereof shall have no right to have excises or taxes levied by the Issuer, the State of West Virginia or any political subdivision thereof for the payment of the principal, premium, if any, or interest on the Bonds. (See "APPENDIX F – FORM OF BOND ORDINANCE AND SUPPLEMENTAL PARAMETERS RESOLUTION.")

NEITHER THE GENERAL CREDIT OF THE CITY OF SALEM NOR THAT OF HARRISON COUNTY OR THE STATE OF WEST VIRGINIA OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS, AND THE OWNERS AND HOLDERS THEREOF ARE GIVEN NO RIGHT TO HAVE ANY EXCISES OR TAXES LEVIED BY THE LEGISLATURE OF THE STATE OF WEST VIRGINIA, THE CITY COUNCIL OF THE CITY OF SALEM OR THE TAXING AUTHORITY OF ANY OTHER POLITICAL SUBDIVISION OF THE STATE FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

THE SYSTEM

Description

The System consists of approximately 8.56 miles of combined stormwater and sanitary sewer gravity sewer lines, approximately 0.92 miles of force main sewer lines, 2 sewage lift stations, and a 400,000 gallon per day wastewater treatment plant. The wastewater treatment plant is located in the eastern portion of the City on 3.65 acres of property owned by the City. The System provides sewage collection and treatment services to more than 99% of the population of the City and to a small number of customers outside the corporate boundaries of the City. The System is a "combined system" in that both storm water run-off and sanitary sewage enter the System. One of the purposes of the Project is to reduce the inflow and infiltration of storm water into the System. Accordingly, after completion of the Project the 8.56 miles of combined gravity sewer lines are intended to become primarily gravity sanitary sewer lines

and that the System will become primarily a sanitary sewage system. Treated effluent is discharged into the Salem Fork, a tributary of Tenmile Creek.

The original wastewater treatment plant began operating in 1964. In 1996, a new wastewater treatment facility was constructed, replacing the 1964 plant. The facility is designed for an average daily flow of 400,000 gallons per day. The new treatment plant is located on 3.65 acres of City property located on the eastern side of the City (the "Treatment Plant").

The Treatment Plant currently produces approximately 92.85 wet tons of sewage sludge annually. The sludge dewatering and disposal facilities utilize continuous belt filter presses to convert the liquid sludge from the wastewater treatment processes into filter cake which contains approximately 27.8% solids and 72.2% water. The filter cake is then hauled to a landfill via truck and trailer for disposal.

Currently, an average daily flow volume of approximately 480,000 gallons per day is received at the Treatment Plant. The chart below reflects the gallons of water treated each month by the Treatment Plant and includes the estimated percentage of inflow and infiltration for each year. As referenced above, one of the purposes of the Project is to reduce such inflow and infiltration, allowing the Treatment Plant to operate within the design capacity.

CITY OF SALEM (WEST VIRGINIA)
PUMPING AND PURCHASE WASTEWATER TREATMENT STATISTICS

Time Frame	Gallons of Water Treated Per Month at Treatment Plant (in 000's)						
Month	2017	2016	2015	2014	2013	2012	2011
July	10,581	11,783	10,500	15,594	3,297	9,677	12,988
August	16,323	5,854	11,160	14,851	3,698	9,110	10,618
September	8,150	7,389	9,232	11,270	3,329	14,747	8,920
October	15,341	8,217	11,441	8,986	3,765	22,012	10,153
November	8,503	8,077	13,826	12,904	3,347	17,484	11,805
December	20,637	15,628	14,240	19,235	3,230	18,773	13,776
January	19,773	13,683	16,594	16,458	3,737	17,436	13,218
February	13,368	17,958	13,903	17,508	3,545	12,486	14,186
March	18,239	17,276	22,485	12,711	2,926	18,014	20,920
April	19,121	13,609	22,616	12,977	3,680	8,863	21,021
May	15,010	19,351	9,059	16,271	2,638	11,402	14,528
June	8,832	9,994	10,853	16,202	3,459	7,180	9,469
Total	173,878	148,819	165,909	174,967	40,651	167,184	161,601
Inflow & Infiltration	72.47%	69.68%	69.61%	73.79%	-0.06%	75.76%	73.92%

Source: WV Public Service Commission (WV)

Management

Sanitary Board: The Sanitary Board is appointed by City Council and consists of the City Manager as Chairman and two other persons, who are appointed for three (3) year terms.

The present membership of the Sanitary Board is as follows:

Chairman: Ronnie Davis
Member: Blair Nutter
Member: John Lowe

Management: City Manager, Ronnie Davis, has been employed by the City of Salem since 1985 starting out as a public works employee. Mr. Davis advanced to Assistant Public Works Director in 1992 and Public Works Director in 2000. Mr. Davis was promoted to City Manager in 2014.

Chief Operator George Parker is a Class II Wastewater Operator. Mr. Parker has been employed by the City of Salem since 2000. Mr. Parker began his career at the Treatment Plant working under Chief Operator, Allen George, who had over 30 years of experience.

Class II Wastewater Operator Gary White has been employed by the City of Salem since 2006. Prior to working at the Treatment Plant, Mr. White operated the municipal pool and worked in the City public works department.

Class I Wastewater Operator Boyd Pratt Jr. has been employed by the City of Salem since 2014. Mr. Pratt has passed his Class II Operator's test and is in the process of completing the required hours for certification by May 2018. Prior to working at the Treatment Plant, Mr. Pratt worked in the City public works department.

There are currently 3 operators in training scheduled to test in May 2018 to become Class I Wastewater Operators. Mr. Nelson Law has been employed by the City since 2016. Mr. Jeremy Sheuvront has been employed by the City since 2014. Mr. Jayson Bartley has been employed by the City since 2001.

Jeff Petry, Project Engineer for E.L Robinson Engineering, is the consulting engineer for the System.

Employees and Payroll

As of June 30, 2018, the Sanitary Board directly employed 3 full-time personnel, most of whom work at the Treatment Plant. Wage levels for non-supervisory employees of the Sanitary Board are determined by the Board. The fiscal year 2018 payroll (including benefits) is budgeted at $95,000.

Operations

The System treated an average of 476,378 gallons during fiscal year 2017, with daily averages during the peak month of December 2016 at 665,710 gallons per day. The effluent biological demand (BOD) averaged 94 milligrams per liter with an overall efficiency of 94 percent for the year. Suspended solids in the effluent averaged 88 milligrams per liter with an overall removal efficiency of 88 percent for the year.

The System currently operates under NPDES (WV 0020257) permit issued by the West Virginia Department of Environmental Protection, Water Resources Section. The permit was issued April 30, 2014, has an effective date of June 1, 2014 and expires April 29, 2019.

The customers of the System are billed based upon potable water usage. The following charts reflect such water usage as well as Customer Count by Type and the System's Top Ten Customers:

Annual Water Usage History By Source - City of Salem, WV Sewer System

Year Ended (June 30)	Residential Gallons	Commercial Gallons	Industrial Gallons	Public Authority Gallons	Resale Gallons	Total Gallons
2017	21,737,000	13,358,000	380,700	12,400,000	0.00	47,875,700
2016	21,251,000	12,117,000	282,000	11,477,000	0.00	45,127,000
2015	20,645,000	15,348,000	303,000	14,123,000	0.00	50,419,000
2014	20,926,000	15,076,000	283,000	9,572,000	0.00	45,857,000
2013	21,372,000	15,345,000		3,958,000	0.00	40,675,000
2012	21,891,000	13,828,000		4,799,000	0.00	40,518,000
2011	22,260,000	14,234,000		5,653,000	0.00	42,147,000
2010	24,915,000	16,081,000		5,296,000	0.00	46,292,000

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Daily Water Usage History by Source - City of Salem, WV Sewer System

Year Ended (June 30)	Residential Gallons	Commercial Gallons	Industrial Gallons	Public Authority Gallons	Resale Gallons	Total Gallons
2017	59,553	36,597	1,044	33,973	-	131,167
2016	58,222	33,197	773	31,444	-	123,636
2015	56,562	42,049	830	38,693	-	138,134
2014	57,332	41,304	775	26,225	-	125,636
2013	58,553	42,041	-	10,844	-	111,438
2012	59,975	37,885	-	13,148	-	111,008
2011	60,986	38,997	-	15,488	-	115,471
2010	68,260	44,058	-	14,510	-	126,827

Customer Count by Type - City of Salem, WV Sewer System

Year Ended (June 30)	Residential	Commercial	Industrial	Public Authority	Resale	Total
2017	638	78	13	16	0	745
2016	635	79	13	15	0	742
2015	631	83	13	14	0	741
2014	630	82	13	14	0	739
2013	642	82	0	14	0	738
2012	639	82	0	14	0	735
2011	617	77	0	10	0	704
2010	639	77	0	8	0	724

Top Ten Customers Measured by Volume and as a Percentage of Total Volume

July 2016 to June 2017

Customer		Volume		% of Volume
Salem Correctional Center		11,921,300		26%
Genesis		5,522,700		12%
SIU		2,990,600		7%
Randolph Terrace Apt		1,446,000		3%
Res-Care		701,600		2%
Salem Manor Apartments		660,100		1%
Parklake Estates		407,100		1%
Mountain Cap of WV		649,100		1%
Harrison Co Board of Education		250,900		1%
West End Car Wash LLC		280,400		1%

Top Ten Customers Measured by Revenue and as a Percentage of Total Revenue

July 2016 to June 2017

Customer		Revenue		% of Revenue
Salem Correctional Center		$ 168,744.09		21%
Genesis		$ 77,679.16		10%
SIU		$ 46,623.73		6%
Randolph Terrace Apt		$ 20,771.95		3%
Res-Care		$ 10,027.93		1%
Salem Manor Apartments		$ 9,782.03		1%
Parklake Estates		$ 5,804.98		1%
Mountain Cap of WV		$ 9,627.47		1%
Harrison Co Board of Education		$ 4,088.97		1%
West End Car Wash LLC		$ 4,024.86		1%

Rates

Authority: Pursuant to the Act, the governing body of a municipality must establish and maintain rates and charges for the use of and the service rendered by its municipal sewage system sufficient to provide for the operation and maintenance of the System and for the payment of sums required to be paid as debt service on bonds secured by the Net Revenues of the System.

The Act provides that rates and charges shall be established by ordinance, but only after the ordinance has been advertised and a public hearing has been held.

Rates and charges established by municipally operated sewer utilities must be just, reasonable, applied without unjust discrimination or preference and based primarily on the costs of providing service. Such rates and charges are subject to regulatory review by the Commission described in "Investment Considerations" herein. For more information on the Issuer's current rates and charges for the System, see "Appendix G – Rate Tariff."

Rates: The rates currently charged to users of the System are detailed in the following table. These rates became effective May 19, 2011.

Monthly Usage Gallons	Charge per 1,000 Gallons
First 2,000 gal of water used per month	$35.20
All over 2,000 gal of water used per month	$14.05

The Minimum Metered Rate is $35.20 per month regardless of whether the customer uses all of the 2,000 gallons of water referenced above; an Unmetered Flat Rate of $56.27 is charged to System customers who are not on a potable water system. A Tap Inspection Fee of $200 is charged to new customers at the time of connection to the System.

Based upon current sewer rates, the average monthly residential sewer bill is approximately $70.33 for 4,500 gallons of water used.

Billing of Customers: The City is responsible for the billing of the customers of the Sanitary Board as well as the customers of the water system operated by the City. The Sanitary Board reimburses the City for the administrative costs associated with such billing.

The City terminates the water service of a customer for non-payment of sewer charges on behalf of the Sanitary Board. There is no charge for terminations and $25.00 is charged for reconnections.

Billing and Collection Experience – City of Salem, West Virginia Sewer System:

Year	Fees Billed	Fees Collected	% Collected
2017	$ 818, 409.76	$ 803, 437.85	98.17%
2015	$ 770, 138.02	$ 767, 770.74	99.69%
2015	$ 855, 182.48	$ 845, 799.67	98.90%
2014	$ 786, 329.96	$ 747, 876.77	95.11%
2013	$ 710, 359.00	$ 690, 668.00	97.23%

Billing and Collection Procedures

All bills are issued, collected and processed by the City on behalf of the Sanitary Board on a monthly basis and are due twenty (20) days after billing. Once an account is determined to be delinquent, a termination notice is sent advising that if the bill remains unpaid for ten (10) days, service will be terminated. Upon the expiration of said period, a request is issued for termination of the delinquent customer's water service by the City. Once terminated, water service will not be restored until the payment of all past bills, a reconnection charge of $25.00 and, in some instances, a new or additional security deposit.

Future Projects

The Series 2018 B Bonds are being issued to provide funds for the design, acquisition, construction and equipping of certain additions, betterments and improvements to the System, including the construction of approximately 2,700 linear feet of 18-inch corrugated HDPE storm sewer line, 32 "Type A" storm inlets, 11 precast concrete culvert headwalls, 3 "Type A" storm manholes, 7 sanitary manholes, 1,750 linear feet of 8-inch PVC gravity sewer, 600 linear feet of 4-inch PVC gravity customer lateral and other related appurtenances, and will also include the rehabilitation of the wastewater treatment plant's ultraviolet disinfection unit, belt sludge press, and non-potable water system.

There are no other projects planned for the System after the Project described above.

THE STATEMENT OF NET ASSETS AND THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2016 CAN BE FOUND IN THE AUDITED FINANCIAL STATEMENTS. See "Appendix C – Financial Statements of the Issuer"

Employees Retirement and Benefit Fund

All employees of the Sanitary Board are covered by the State of West Virginia Public Employee Retirement System (PERS). The Sanitary Board currently makes payments to the retirement system equal to 11% of payroll expense, which percentage is subject to change in the future. Employees hired before July 1, 2015 contribute 4.5% of their compensation to the retirement plan and employees hired on or after July 1, 2015 contribute 6% of their compensation to the retirement plan.

There is $53,268 in Net Pension Liability for the System in the Audit for the Fiscal Year ended June 30, 2016 and $88,333 in Net pension obligation for the System in the unaudited financial statements for the Fiscal Year ended June 30, 2017. The City participates in PERS which is a state-wide, cost-sharing, multiple employer defined benefit plan for public employees. The $53,268 and $88,333, respectively, reflect the System's proportionate share of the net pension liability of PERS. The foregoing information was obtained from the Audit of the City for the Fiscal Year ended June 30, 2016 and the unaudited financial statements of the City for the Fiscal Year ended June 30, 2017. For more information

on the System's net pension liability please see the Audit, the unaudited financial statements for the Fiscal Year ended June 30, 2017, and the notes thereto included in Appendix C. For additional information on State of West Virginia Public Employee Retirement System (PERS), please see the website at https://www.wvretirement.com.

There is also $135,592 in OPEB Liability for the System in the Audit for the City for Fiscal Year ended June 30, 2016, and $140,865 in other post-employment benefits payable in the unaudited financial statements for the Fiscal Year ended June 30, 2017. This is for health insurance benefits for employees of the Sanitary Board that retire. The foregoing information was obtained from the Audit of the City for the Fiscal Year ended June 30, 2016 and the unaudited financial statements of the City for the Fiscal Year ended June 30, 2017. For more information on the System's OPEB Liability please see the Audit, the unaudited financial statements for the Fiscal Year ended June 30, 2017, and the notes thereto included in Appendix C. For additional information on State of West Virginia Public Employee Retirement System (PERS), please see the website at https://www.wvretirement.com.

Method of Accounting

The Sanitary Board maintains its accounts on an accrual basis and in accordance with the guidelines of the PSC and generally accepted accounting principles. With respect to operating revenues and expenses, the Sanitary Board accounts are maintained in accordance with generally accepted accounting principles. See "Appendix C - "Financial Statements of the Issuer."

The information set forth in this Appendix B was provided by the Sanitary Board.

APPENDIX C

FINANCIAL STATEMENTS OF THE ISSUER

Consisting of:

The City of Salem, West Virginia
Unaudited Financial Statements
For the Fiscal Year Ending June 30, 2017

(and)

The City of Salem, West Virginia
Audited Financial Statements
For the Fiscal Year Ending June 30, 2016

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CITY OF SALEM, WEST VIRGINIA
SEWER REFUNDING REVENUE BONDS, SERIES 2018 A (BANK QUALIFIED); AND
SEWER REVENUE BONDS, SERIES 2018 B (BANK QUALIFIED)

CONFORMED BOND ORDINANCE[1]

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[1] Conformed per Supplemental Parameters Resolution dated February 13, 2018

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CITY OF SALEM, WEST VIRGINIA

AN ORDINANCE AUTHORIZING THE REFUNDING OF THE ISSUER'S OUTSTANDING SEWER REVENUE BONDS, SERIES 1995 B AND THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING SEWER SYSTEM OF THE CITY OF SALEM AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $1,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REFUNDING REVENUE BONDS, SERIES 2018 A (BANK QUALIFIED); AND NOT MORE THAN $2,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2018 B (BANK QUALIFIED); PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE BONDS; AND ENACTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

WHEREAS, the City of Salem (the "Issuer" or the "City") presently owns and operates a public sewer system and has heretofore financed the acquisition and construction of the System and certain additions, betterments and improvements thereto through the issuance of several series of bonds or refunding bonds;

WHEREAS, under the provisions of Chapter 16, Article 13 of the Code of West Virginia, 1931, as amended (the "Act"), the Issuer is authorized to issue refunding revenue bonds for the purpose of refunding, paying or discharging all or any part of its outstanding revenue bonds, including interest thereon;

WHEREAS, the Issuer has determined and hereby determines that present value debt service savings would result from the Issuer's current refunding of its outstanding Sewer Revenue Bonds, Series 1995 B, dated June 27, 1995, issued in the original aggregate principal amount of $2,000,000 (the "Series 1995 B Bonds");

WHEREAS, the Issuer has determined that it is in the best interests of the inhabitants of the City of Salem and other users of the System to currently refund its outstanding Series 1995 B Bonds;

WHEREAS, the Issuer has determined that the aforementioned refunding of the Series 1995 B Bonds should be financed with the proceeds from the issuance of the City's Sewer Refunding Revenue Bonds, Series 2018 A, in the original aggregate principal amount of not more than $1,500,000 (the "Series 2018 A Bonds"), such Series 2018 A Bonds to be secured by and payable from the Net Revenues (as hereinafter defined) of the System; and

WHEREAS, under the provisions of the Act, the Issuer is authorized and empowered to acquire, construct and operate extensions, additions, betterments and improvements for the System, consisting of approximately 2,700 linear feet of 18-inch corrugated HDPE storm sewer line, 32 "Type A" storm inlets, 11 precast concrete culvert headwalls, 3 "Type A" storm manholes, 7 sanitary manholes, 1,750 linear feet of 8-inch PVC gravity sewer, 600 linear feet of 4-inch PVC gravity customer lateral, and all necessary appurtenances (collectively, the "Project") (the existing public sewer system of the Issuer, the Project and any further extensions, additions, betterments and improvements thereto are herein called the "System") in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer;

WHEREAS, the Issuer has determined, and does hereby affirm, that the acquisition and construction of certain extensions, additions, betterments and improvements to the System, is necessary, appropriate, useful and desirable for the health, safety, and welfare of the inhabitants of the City and surrounding areas;

WHEREAS, the Issuer has determined that the aforementioned acquisition and construction of extensions, additions, betterments and improvements to the System should be financed, as provided under the Act, in whole or in part, from the proceeds of revenue bonds to be issued by the Issuer, to pay all or any portion of the costs thereof, and to enact this Ordinance and issue its Sewer Revenue Bonds, Series 2018 B (Bank Qualified) (the "Series 2018 B Bonds"), such Series 2018 B Bonds to be secured by and payable from the Net Revenues of the System, and containing such other terms and provisions as are hereinafter provided, all in the manner set forth herein;

WHEREAS, the Series 2018 A Bonds and Series 2018 B Bonds are collectively known as the "Series 2018 Bonds"; and

WHEREAS, the Issuer has determined and hereby determines that it is in the best interest of the residents of the City that its Series 2018 Bonds be sold to the Original Purchaser (as hereinafter defined) thereof pursuant to the terms and provisions of a bond purchase agreement (the "Bond Purchase Agreement") between the Issuer and the Original Purchaser.

NOW, THEREFORE, THE COUNCIL OF THE CITY OF SALEM HEREBY ORDAINS:

ARTICLE I

DEFINITIONS, STATUTORY AUTHORITY AND FINDINGS

Section 1.01. Definitions. All capitalized terms used in this Ordinance and not otherwise defined in the recitals hereto shall have the meanings specified below, unless the context expressly requires otherwise:

"Act" means Chapter 16, Article 13 of the West Virginia Code of 1931, as amended and in effect on the Closing Date for the Series 2018 Bonds.

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

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

"Bond Counsel" means any law firm having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds, appointed by the Issuer, and shall initially mean Steptoe & Johnson PLLC, Charleston, West Virginia.

"Bondholder," "Holder," "Holder of the Bonds," "Owner of the Bonds," "Registered Owner," or any similar term means any person who shall be the registered owner of any outstanding Bond.

"Bond Insurer" means any entity which shall insure all or any portion of the payment of principal of and interest on the Bonds, and with respect to the Series 2018 Bonds shall initially mean the bond insurer or bond insurers, if any, named in the Supplemental Resolution.

"Bond Purchase Agreement" means the Bond Purchase Agreement between the Issuer and the Original Purchaser relating to the sale and purchase of the Series 2018 Bonds.

"Bond Register" means the books of the Issuer maintained by the Registrar for the registration and transfer of the Series 2018 Bonds.

"Bonds" means, collectively, the Series 2018 Bonds, and any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained herein.

"Business Day" means any day other than a Saturday, Sunday or a day on which national banking associations, West Virginia banking corporations or the New York Stock Exchange are authorized by law to remain closed.

"Certificate of Authentication and Registration" means the Certificate of Authentication and Registration on the Series 2018 Bonds in substantially the forms set forth in EXHIBIT A-1 – FORM OF SERIES 2018 A BONDS and EXHIBIT A-2 – FORM OF SERIES 2018 B BONDS attached hereto.

"City" or "Issuer" means the City of Salem, a municipal corporation and political subdivision of the State of West Virginia, in Harrison County thereof, and, where appropriate, the Council, and any successor thereto.

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

"City Council" or "Council" means the City Council of the Issuer or any other governing body of the Issuer that succeeds to the functions of the Council as presently constituted.

"Closing Date" means the date upon which there is an exchange of the Bonds for the proceeds representing the original purchase price thereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and Regulations thereunder and such guidance with respect thereto as may be issued by the Internal Revenue Service or Department of the Treasury from time to time.

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

“Consulting Engineers” means E.L. Robinson, Charleston, West Virginia, or any independent qualified engineer or engineers or firm or firms of engineers that shall at any time now or hereafter be retained by the Issuer as Consulting Engineers for the System, or portion thereof.

"Continuing Disclosure Agreement" means the agreement delivered by the Issuer to disseminate annual financial information and material event disclosures as required by Rule 15c2-12.

“Costs” or similar terms means all those costs now or hereafter permitted by the Act to be financed with bonds issued pursuant hereto, including, without limitation those costs set forth in Section 1.02C.

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

“Depository Bank” means the bank or banks to be designated as such in the Supplemental Resolution, and any other bank or national banking association located in the State of West Virginia, eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC that may hereafter be appointed by the Issuer as Depository Bank.

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

“DTC-eligible” means, with respect to the Series 2018 Bonds, meeting the qualifications prescribed by DTC.

“Event of Default” means any occurrence or event specified in Section 7.01 hereof.

“FDIC” means the Federal Deposit Insurance Corporation or any successor to the functions of the FDIC.

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

"Governing Body" means the City Council of the Issuer or any other governing body of the Issuer that succeeds to the functions of the City Council, as it may now or hereafter be constituted.

“Government Obligations” shall have the meaning set forth in the Supplemental Resolution.

“Gross Revenues” means the aggregate gross operating and non-operating revenues of the System and includes investment income, connection fees, disconnections fees, System use charges and fees, and all other items of income which have been established as reasonably anticipated annual income of the System, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts, and

includes any proceeds from the sale or other disposition of capital assets, but does not include any increase in the value of capital assets (including Qualified Investments).

"Independent Certified Public Accountant" means the West Virginia State Tax Department or any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the Issuer to prepare an independent annual or special audit of the accounts of the System or for any purpose except keeping the accounts of said System in the normal operations of its business and affairs.

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract, investment-type property or residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes other than specified private activity bonds as defined in Section 57(a)(5)(C) of the Code.

"Maximum Annual Debt Service" means, at the time of computation, the greatest amount of Debt Service required to be paid on the Bonds for the then current or any succeeding Fiscal Year.

"Mayor" means the Mayor of the Issuer.

"Municipal Bond Insurance Policy" means the municipal bond insurance policy, if any, issued by the Bond Insurer simultaneously with the delivery of the Series 2018 Bonds insuring the timely payment of the principal of and interest on all or any of the Series 2018 Bonds in accordance with the terms thereof.

"Net Proceeds" means the face amount of the Series 2018 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, on such issue, and less proceeds deposited in the Series 2018 A Bonds Reserve Account and Series 2018 B Bonds Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2018 Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

"Net Revenues" means Gross Revenues less Operating Expenses.

"Nonpurpose Investment" means any Investment Property which is acquired with the gross proceeds of the Series 2018 Bonds and is not acquired in order to carry out the governmental purpose of the Series 2018 Bonds.

"Official Statement" means a document or set of documents prepared by an issuer of municipal securities or its representatives setting forth, among other matters, information concerning the Issuer of such municipal securities and the proposed issue of securities that is complete as of the date of delivery of the document or set of documents to the Original Purchaser.

"Operating Expenses" unless qualified, means the current expenses, paid or accrued, of repair, operation and maintenance of the System, and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses (other than those

capitalized as part of the costs of any project relating to the acquisition or construction of additions, betterments or improvements for the System), supplies, labor, wages, the cost of materials and supplies used for current operations, fees and expenses of fiscal agents and of the Depository Bank, Registrar and Paying Agent or Paying Agents, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles.

"Ordinance" or "Bond Ordinance" regardless of whether preceded by the article "the" or "this," means this Ordinance, as it may hereafter from time to time be amended or supplemented, by ordinance or by resolution.

"Original Purchaser" means Crews & Associates, Inc. or such other investment banking firm or firms, bank or banks or such other entity or entities as shall purchase the Series 2018 Bonds directly from the Issuer, as determined by the Supplemental Resolution.

"Outstanding" when used with reference to the Series 2018 Bonds and as of any particular date, describes all Bonds theretofore and thereupon being issued and delivered except (a) any Bond canceled by the registrar for such Bond at or prior to said date; (b) any Bond for the payment of which monies, equal to its principal amount, with interest to the date of maturity, shall be held in trust under this Ordinance and set aside for such payment (whether upon or prior to maturity); (c) any Bond deemed to have been paid as provided by Section 9.01 hereof; and (d) with respect to determining the number or percentage of Bondholders or Bonds for the purpose of consents, notices and the like, any Bond registered to the Issuer. Notwithstanding the foregoing, in the event that a Bond Insurer has paid principal of and/or interest on any Bond, such Bond shall be deemed to be Outstanding until such time as such Bond Insurer has been reimbursed in full.

"Paying Agent" means, initially, the West Virginia Municipal Bond Commission and any other paying agent for the Series 2018 Bonds which may be appointed by a resolution supplemental hereto, all in accordance with Section 8.12 hereof.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person or in any activity carried on by a person other than a natural person, excluding, however, use by a state or local governmental unit and use as a member of the general public.

"Project" means construction of extensions, additions, betterments and improvements for the System, consisting of approximately 2,700 linear feet of 18-inch corrugated HDPE storm sewer line, 32 "Type A" storm inlets, 11 precast concrete culvert headwalls, 3 "Type A" storm manholes, 7 sanitary manholes, 1,750 linear feet of 8-inch PVC gravity sewer, 600 linear feet of 4-inch PVC gravity customer lateral, and all necessary appurtenances.

"Purchase Price" for the purpose of computation of the Yield of the Series 2018 Bonds, has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the Series 2018 to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds of each maturity is sold or, if the Series 2018 Bonds are privately placed, the price paid by the first buyer of the Series 2018 Bonds or the acquisition cost of the first buyer. "Purchase Price," for purposes of computing Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds of the Series 2018 Bonds for

acquisition thereof, or if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Series 2018 Bonds.

"Qualified Investments" means and includes any investment permitted to be made by a municipality, public service district or public corporation of the State pursuant to State Law, specifically including but not limited to Chapter 8, Article 13, Section 22 of the Code of West Virginia and the West Virginia "consolidated fund" managed by the West Virginia Board of Treasury Investments pursuant to Chapter 12, Article 6C of the Code of West Virginia.

"Rebate Fund" means the Rebate Fund established in Section 4.01 hereof.

"Record Date" means the date or dates which shall be so stated in the Series 2018 Bonds, regardless of whether such day is a Saturday, Sunday or legal holiday.

"Redemption Date" means the date fixed for redemption of Bonds subject to redemption in any notice of redemption published or mailed in accordance herewith.

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

"Registrar" means the bank to be designated in the Supplemental Resolution as the Registrar for the Series 2018 Bonds, and any successor thereto appointed in accordance with Section 8.08 hereof.

"Regulations" means temporary and permanent regulations promulgated under the Code, and includes applicable regulations promulgated under the Internal Revenue Code of 1986 as amended.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund created by the Section 4.01 hereof.

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

"Rule 15c2-12" means Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended.

"Series 1995 B Bonds" means the Issuer's Sewer Revenue Bonds, Series 1995 B, dated June 27, 1995, issued in the original aggregate principal amount of $2,000,000 and held by the United States Department of Agriculture.

"Series 1995 B Bonds Ordinance" means collectively the ordinance and resolutions authorizing the Series 1995 B Bonds.

"Series 2018 Bonds Costs of Issuance Fund" means the Series 2018 Bonds Costs of Issuance Fund created by Section 4.01 hereof.

"Series 2018 Bonds Construction Fund" means the Series 2018 Bonds Construction Fund created by Section 4.01 hereof.

"Series 2018 A Bonds" means the Sewer Refunding Revenue Bonds, Series 2018 A, of the Issuer, originally authorized to be issued pursuant to this Ordinance and the Supplemental Resolution.

"Series 2018 A Bonds Redemption Account" means the Series 2018 A Bonds Redemption Account established in the Series 2018 A Bonds Sinking Fund pursuant to Section 4.02 hereof.

"Series 2018 A Bonds Reserve Account" means the Series 2018 A Bonds Reserve Account established in the Series 2018 A Bonds Sinking Fund pursuant to Section 4.02 hereof.

"Series 2018 A Bonds Reserve Account Requirement" means an amount equal to the lesser of (i) 10% of the original principal amount of the Series 2018 A Bonds, (ii) Maximum Annual Debt Service at the time of original issuance of the Series 2018 A Bonds, or (iii) 125% of average annual Debt Service at the time of original issuance of the Series 2018 A Bonds.

"Series 2018 A Bonds Sinking Fund" means the Series 2018 A Bonds Sinking Fund established by Section 4.02 hereof.

“Series 2018 B Bonds” means the Sewer Revenue Bonds, Series 2018 B (Bank Qualified), of the Issuer, originally authorized to be issued pursuant to this Ordinance and the Supplemental Resolution.

“Series 2018 B Bonds Redemption Account” means the Redemption Account created by Section 4.02 hereof.

“Series 2018 B Bonds Reserve Account” means the Series 2018 B Bonds Reserve Account created in the Series 2018 B Bonds Sinking Fund by Section 4.02 hereof.

“Series 2018 B Bonds Reserve Account Requirement” means an amount equal to the lesser of (i) 10% of the original principal amount of the Series 2018 B Bonds, (ii) Maximum Annual Debt Service at the time of original issuance of the Series 2018 B Bonds, or (iii) 125% of average annual Debt Service at the time of original issuance of the Series 2018 B Bonds.

“Series 2018 B Bonds Sinking Fund” means the Series 2018 B Bonds Sinking Fund created by Section 4.02 hereof.

“Sinking Funds” means, collectively, the respective Sinking Funds established for the Series 2018 Bonds.

“State” means the State of West Virginia.

“Supplemental Resolution” means any ordinance or resolution amendatory hereof or supplemental hereto and, when preceded by the article “the,” refers specifically to the Supplemental Resolution or Resolutions to be adopted by the Issuer following enactment of this Ordinance, setting forth the final amounts, maturities, interest rates, redemption provisions, Original Purchaser, Bond Purchase Agreement, Bond Insurer provisions (if any) and other terms of the Series 2018 Bonds and authorizing the sale of the Series 2018 Bonds to the Original Purchaser; provided, that any provision intended to be

included in the Supplemental Resolution and not so included may be contained in any other Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Ordinance to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, including, without limitation, the funds and accounts established for the Series 2018 Bonds.

"System" means the complete existing sewerage system of the Issuer, as presently existing in its entirety or any integral part thereof and shall include the Project and shall include any additions, betterments and improvements thereto hereafter acquired or constructed for said sewage system from any sources whatsoever, both within and without the Issuer.

"Tax Certificate" means the Issuer's Tax Certificate dated as of the date of issuance of the Series 2018 Bonds, as the same may be amended or supplemented in accordance with the provisions thereof.

"Term Bonds" means Bonds subject to mandatory sinking fund redemption, as described by Section 3.06 hereof.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations and vice versa; and words importing the masculine gender shall include the feminine and neuter genders and vice versa.

Additional terms and phrases are defined in this Ordinance as they are used. Accounting terms not specifically defined herein shall be given meaning in accordance with generally accepted accounting principles.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Ordinance; and the term "hereafter" means after the date of enactment of this Ordinance.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Ordinance so numbered.

Section 1.02. Authority for this Ordinance. This Ordinance is enacted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.03. Findings. The Council hereby finds and determines as follows:

A. The Issuer is a municipal corporation and political subdivision of the State of West Virginia in Harrison County of said State.

B. The Issuer presently owns and operates a public sewer system. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer, and for the improvement of the water environment of the Issuer, that there be acquired and constructed certain extensions, additions, betterments and improvements to the sewer system of the Issuer, consisting of the Project, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. It is deemed necessary for the Issuer to issue its (i) Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified) and (ii) Sewer Revenue Bonds, Series 2018 B (Bank Qualified), in the aggregate principal amount of not more than $4,000,000 to (i) currently refund the Series 1995 B Bonds; (ii) permanently finance the costs of acquisition and construction of the Project; (iii) fund the Series 2018 A Bonds Reserve Account; (iv) fund the Series 2018 B Bonds Reserve Account; and (v) pay certain costs of issuance. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 2018 Bonds prior to and during acquisition or construction and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Series 2018 A Bonds Reserve Account or Series 2018 B Bonds Reserve Account; underwriter's discount, engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise; administrative expense; commitment fees; premiums for municipal bond insurance, reserve account insurance or reserve account surety bonds; letter of credit fees; discount; initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2018 Bonds and such other expenses as may be necessary or incidental to the financing herein authorized; the acquisition and construction of the Project and the placing of same in operation; and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2018 Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

D. The period of usefulness of the System after completion of the Project is not less than 20 years.

E. It is in the best interests of the Issuer that the Series 2018 Bonds be sold to the Original Purchaser pursuant to the terms and provisions of a bond purchase agreement to be entered into by and between the Issuer and the Original Purchaser (the "Bond Purchase Agreement"), as shall be approved by the Supplemental Resolution of the Issuer.

F. There are no outstanding obligations which will rank on a parity with the Series 2018 Bonds as to liens, pledge, source of and security for payment.

G. The Issuer intends to issue the Series 2018 Bonds and to pledge for payment thereof, the Net Revenues of the System, on a parity with each other.

H. The estimated revenues to be derived in each year after the date hereof from the operation of the System will be sufficient, to provide for the repair, maintenance and operation of the System, the payment of interest upon the Series 2018 Bonds and to create sinking funds, as hereinafter provided, to pay the principal on the Series 2018 Bonds as and when it becomes due and reasonable reserves therefor, to provide an adequate renewal and replacement fund, as hereinafter provided, and to make all other payments provided for in this Ordinance.

I. It is in the best interests of the Issuer, and the residents thereof, that the Issuer issue the Series 2018 Bonds, and secure the Series 2018 Bonds by a pledge and assignment of the Net Revenues derived from the operation of the System, the monies in the Series 2018 A Bonds Reserve Account, Series 2018 B Bonds Reserve Account, unexpended proceeds of the Series 2018 Bonds and as further set forth herein.

J. The Series 2018 Bonds and the Certificates of Authentication and Registration to be endorsed thereon are to be in substantially the forms set forth in EXHIBIT A-1 – FORM OF SERIES 2018 A BONDS AND EXHIBIT A-2 – FORM OF SERIES 2018 B BONDS attached hereto and incorporated herein by reference, with necessary and appropriate variations, omissions and insertions as permitted or required by this Ordinance or a Supplemental Resolution or as deemed necessary by the Registrar or the Issuer.

K. All things necessary to make the Series 2018 Bonds, when authenticated by the Registrar and issued as in this Ordinance provided, the valid, binding and legal special obligations of the Issuer according to the import thereof, and to validly pledge and assign those funds pledged hereby to the payment of the principal of and interest on the Series 2018 Bonds, will be timely done and duly performed.

L. The enactment of this Ordinance, the execution and issuance of the Series 2018 Bonds, subject to the terms thereof, will not result in any breach of, or constitute a default under, any instrument to which the Issuer is a party or by which it may be bound or affected.

M. Pursuant to the Act, the Issuer has heretofore established a Sanitary Board and the Sanitary Board has petitioned the Issuer to issue the Series 2018 Bonds for the purposes set forth herein.

N. The Issuer has complied with all requirements of West Virginia law relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Series 2018 Bonds, or will have so complied prior to issuance of any thereof.

Section 1.04. Ordinance Constitutes Contract. In consideration of the acceptance of the Series 2018 Bonds by those who shall own or hold the same from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the legal Holders of any and all of such Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bond, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

ARTICLE II

AUTHORIZATION OF REFUNDING AND ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Refunding. All Series 1995 B Bonds Outstanding as of the date of issuance of the Series 2018 A Bonds and all unpaid interest accrued thereon, if any, are hereby ordered to be refunded and paid in full and the pledge of Net Revenues in favor of the Registered Owners of the Series 1995 B Bonds imposed by the Series 1995 B Bonds Ordinance authorizing the issuance of the Series 1995 B Bonds, the monies in the funds and accounts created by the Series 1995 B Bonds Ordinances pledged to payment of the Series 1995 B Bonds, and any other funds pledged by the Series 1995 B Bonds Ordinance to payment of the Series 1995 B Bonds are hereby ordered terminated, discharged and released upon such payment to the Registered Owners of the Series 1995 B Bonds. Contemporaneously with the payment in full of the Series 1995 B Bonds, the amounts on deposit in the

sinking fund, and all other funds and accounts created and maintained on behalf of the Series 1995 B Bonds, shall be released from the lien created by the Series 1995 B Bonds Ordinance authorizing the issuance of the Series 1995 B Bonds.

Section 2.02. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of not more than $2,500,000. The proceeds of the Series 2018 B Bonds hereby authorized shall be applied as provided herein. The Series 2018 B Bonds are hereby authorized, to be issued in one or more series, in the aggregate principal amount of not more than $2,500,000.

ARTICLE III

THE SERIES 2018 BONDS

Section 3.01. Form and Payment of Bonds. No Series 2018 Bond shall be issued pursuant to this Ordinance except as provided in this Article III. Any Series 2018 Bonds issued pursuant to this Ordinance may be issued only as fully registered Series 2018 Bonds, in the denomination of $5,000 or any integral multiple thereof for any year of maturity. All Series 2018 Bonds shall be dated as of the date provided in a Supplemental Resolution applicable to such series. All Series 2018 Bonds shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Series 2018 Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Series 2018 Bonds shall be in default, Bonds issued in exchange for Series 2018 Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Series 2018 Bonds surrendered.

The principal of and the premium, if any, on the Series 2018 Bonds shall be payable in any coin or currency which, on the respective date of such payment, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender at the principal office of the Paying Agent. Interest on the Series 2018 Bonds shall be paid by check or draft made payable and mailed to the Holder thereof at his address as it appears in the Bond Register at the close of business on the Record Date, or, if requested, in the case of a Registered Owner of $1,000,000 or more of the Series 2018 Bonds, by wire transfer to a domestic bank account specified in writing at least 5 days prior to such interest payment date by such Registered Owner.

In the event any Series 2018 Bonds are redeemed in part, such bond shall be surrendered to and canceled by the Registrar, and the Issuer shall execute, and the Registrar shall authenticate and deliver to the Holder thereof, another Series 2018 Bond in the principal amount of said Series 2018 Bond then Outstanding.

Section 3.02. Execution of Bonds. The Series 2018 Bonds shall be executed in the name of the Issuer by the Mayor, by his manual or facsimile signature, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the City Clerk by his or her manual or facsimile signature; provided, that, all such signatures and the seal may be by facsimile. In case any one or more of the officers who shall have signed or sealed any of the Series 2018 Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may

nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 2018 Bonds shall be signed and sealed on behalf of the City by such person as at the actual time of the execution of such Bonds shall hold the proper office in the City, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.03. Authentication and Registration. No Series 2018 Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Ordinance unless and until the Certificates of Authentication and Registration on such Series 2018 Bond, substantially in the form set forth in EXHIBIT A-1 – FORM OF SERIES 2018 A BONDS AND EXHIBIT A-2 – FORM OF SERIES 2018 B BONDS attached hereto and incorporated herein by reference with respect to the Series 2018 Bonds, shall have been duly manually executed by the Registrar. Any such manually executed Certificate of Authentication and Registration upon any such Series 2018 Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Ordinance. The Certificate of Authentication and Registration on any Series 2018 Bond shall be deemed to have been executed by the Registrar if signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Series 2018 Bonds issued hereunder.

Section 3.04. Negotiability and Registration. Subject to the requirements for transfer set forth below, the Series 2018 Bonds shall be, and have all of the qualities and incidents of, negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder, in accepting any of said Bonds, shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Series 2018 Bonds remain Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Series 2018 Bonds. The Series 2018 Bonds shall be transferable only by transfer of registration upon the Bond Register by the registered owner thereof in person or by his attorney or legal representative duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or such duly authorized attorney or legal representative. Upon transfer of a Series 2018 Bond, there shall be issued at the option of the Holder or the transferee another Bond or Bonds of the aggregate principal amount equal to the unpaid amount of the transferred Bond and of the same series, interest rate and maturity of said transferred Bond.

Upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar and duly executed by the registered owner or his attorney or legal representative duly authorized in writing, Series 2018 Bonds may at the option of the Holder thereof be exchanged for an equal aggregate principal amount of Bonds of the same series, maturity and interest rate, in any authorized denominations.

In all cases in which the privilege of transferring or exchanging a Series 2018 Bond is exercised, Bonds shall be delivered in accordance with the provisions of this Ordinance. All Series 2018 Bonds surrendered in any such transfer or exchange shall forthwith be canceled by the Registrar. Transfers of Series 2018 Bonds, the initial exchange of Bonds and exchanges of Bonds in the event of partial redemption of fully registered Bonds shall be made by the Registrar without charge to the Holder

or the transferee thereof, except as provided below. For other exchanges of Series 2018 Bonds, the Registrar may impose a service charge. For every such transfer or exchange of Series 2018 Bonds, the Registrar may make a charge sufficient to reimburse its office for any tax or other governmental charge required to be paid with respect to such transfer or exchange, and such tax or governmental charge, and such service charge for exchange other than the initial exchange or in the event of partial redemption, shall be paid by the person requesting such transfer or exchange as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Registrar shall not be obliged to make any such transfer or exchange of Series 2018 Bonds that have been called for redemption.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2018 Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may execute, in its discretion, and the Registrar shall authenticate, register and deliver any new Bond of like series, maturity and principal amount as the Bond, so mutilated, destroyed, stolen or lost, in exchange and upon surrender and cancellation of, such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing the Issuer and the Registrar proof of his ownership thereof and that said Bond has been destroyed, stolen or lost and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer or the Registrar may incur. The name of the Bondholder listed in the Bond Register shall constitute proof of ownership. All Series 2018 Bonds so surrendered shall be submitted to and canceled by the Registrar, and evidence of such cancellation shall be given to the Issuer. If such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer, by and through the Registrar, may pay the same, upon being indemnified as aforesaid, and, if such Bond be lost, stolen or destroyed, without surrender therefor.

Any such duplicate Bonds issued pursuant to this section shall constitute original, additional contractual obligations on the part of the Issuer, whether or not the lost, stolen or destroyed Bonds be at any time found by any one, and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien and source of and security for payment from the Revenues pledged herein with all other Bonds issued hereunder.

Section 3.06. Term Bonds. In the event Term Bonds are issued as part of the Series 2018 Bonds pursuant to this Ordinance, the following provisions shall apply:

1. The amounts to be deposited, apportioned and set apart by the Issuer from the Revenue Fund and into the Series 2018 A Bonds Redemption Account and Series 2018 B Bonds Redemption Account in accordance with Subsection 4.03(A)(1) shall include (after credit as provided below) on the first of each month, beginning on the first day of that month which is 12 months prior to the first mandatory redemption date of said Term Bonds, a sum equal to 1/12th of the amount (or, if the Series 2018 Bonds mature semiannually rather than annually, that month which is 6 months prior to the first mandatory redemption date of said Term Bonds, a sum equal to 1/6th of the amount) required to redeem the principal amount of such Term Bonds which are to be redeemed as of the next ensuing mandatory Redemption Date, which amounts and dates, if any, with respect to a series of Bonds shall be set forth in the Supplemental Resolution relating thereto.

2. At its option, to be exercised on or before the 60th day next preceding any such mandatory Redemption Date, the Issuer may (a) deliver to the Registrar for cancellation such Term Bonds in any aggregate principal amount desired or (b) receive a credit in respect of its mandatory redemption obligation for any such Term Bonds which prior to said date have been redeemed (otherwise than

pursuant to this section) and canceled by the Registrar and not theretofore applied as a credit against any such mandatory redemption obligation. Each Term Bond so delivered or previously redeemed shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and Term Bonds delivered in excess of such mandatory redemption obligation shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

3. The Issuer shall on or before the 60th day next preceding each mandatory Redemption Date furnish the Registrar and the Bond Commission with its certificate indicating whether and to what extent the provisions of (a) and (b) of the preceding paragraph are to be utilized with respect to such mandatory redemption payment and stating, in the case of the credit provided for in (b) of the preceding paragraph, that such credit has not theretofore been applied against any mandatory redemption obligation.

4. After said 60th day but prior to the date on which the Registrar selects the Term Bonds to be redeemed, the Bond Commission may use the monies in the Series 2018 A Bonds Redemption Account and Series 2018 B Bonds Redemption Account to purchase Term Bonds at a price less than the par value thereof and accrued interest thereon. The Bond Commission shall advise the Issuer and the Registrar of any Term Bonds so purchased, and they shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and any excess shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

5. A. The Registrar shall call for redemption, in the manner provided herein, an aggregate principal amount of such Term Bonds, at the principal amount thereof plus interest accrued to the Redemption Date (interest to be paid from the Series 2018 A Bonds Sinking Fund), as will exhaust as nearly as practicable such Series 2018 A Bonds Redemption Account payment designated to be made in accordance with paragraph (A)(1) of this section. Such redemption shall be by random selection made on the 45th day preceding the mandatory Redemption Date, in such manner as may be determined by the Registrar. For purposes of this section, "Term Bonds" shall include any portion of a fully registered Term Bond, in integrals of $5,000.

B. The Registrar shall call for redemption, in the manner provided herein, an aggregate principal amount of such Term Bonds, at the principal amount thereof plus interest accrued to the Redemption Date (interest to be paid from the Series 2018 B Bonds Sinking Fund), as will exhaust as nearly as practicable such Series 2018 B Bonds Redemption Account payment designated to be made in accordance with paragraph (A)(1) of this section. Such redemption shall be by random selection made on the 45th day preceding the mandatory Redemption Date, in such manner as may be determined by the Registrar. For purposes of this section, "Term Bonds" shall include any portion of a fully registered Term Bond, in integrals of $5,000.

Section 3.07. Notice of Redemption. Unless waived by any Holder of the Series 2018 Bonds to be redeemed, official notice of any redemption shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the applicable Bond Insurer, if any, the Original Purchaser, and the registered owner of the Series 2018 Bond or Bonds to be redeemed at the

address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

So long as DTC (as CEDE & CO.) is the registered Owner of the Series 2018 Bonds, the Registrar shall send all notices of redemption to DTC and shall verify that DTC has received notice.

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

(1) The Redemption Date,

(2) The Redemption Price,

(3) If less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,

(4) That on the Redemption Date the Redemption Price and interest accrued will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date,

(5) The place where such Bonds are to be surrendered for payment of the Redemption Price, which place of payment shall be the principal office of the Registrar, and

(6) Such other information, if any, as shall be required for DTC-Eligible Bonds.

If funds sufficient to redeem all Series 2018 Bonds called for optional redemption have not been deposited with the Paying Agent at the time of mailing any notice of optional redemption, such notice shall also state that such optional redemption is subject to the deposit of such monies with the Paying Agent on or before the Redemption Date. If such monies are not so deposited, the Registrar shall notify all holders of Series 2018 Bonds called for redemption of such fact.

Official notice of redemption having been given as aforesaid, the Series 2018 Bonds, or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Series 2018 Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the Redemption Price. Installments of interest due on or prior to the Redemption Date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of the same maturity in the amount of the unpaid principal of such Bond. All Series 2018 Bonds which have been redeemed shall be canceled and destroyed by the Bond Registrar and shall not be reissued.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of Series 2018 Bonds, and failure to mail such notice shall not affect the validity of proceedings for the redemption of any portion of Bonds for which there was no such failure.

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

Section 3.09. Temporary Bonds. Until Bonds of any series in definitive form are ready for delivery, the Issuer may execute and the Registrar shall authenticate, register, if applicable, and deliver, subject to the same provisions, limitations and conditions set forth in this Article III, one or more printed, lithographed or typewritten Bonds in temporary form, substantially in the form of the definitive Bonds of such series, with appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the lien and benefit created under this Ordinance. Upon the presentation and surrender of any Bond or Bonds in temporary form, the Issuer shall, without unreasonable delay, prepare, execute and deliver to the Registrar, and the Registrar shall authenticate, register, if applicable, and deliver, in exchange therefor, a Bond or Bonds in definitive form. Such exchange shall be made by the Registrar without making any charge therefor to the Holder of such Bond in temporary form.

Section 3.10. Series 2018 Bonds. A. For the purposes of paying in full the entire outstanding principal of and all accrued interest on the Series 1995 B Bonds (along with other funds of the Issuer available therefor), paying the premium for a Municipal Bond Insurance Policy for the Series 2018 A Bonds, if determined to be financially advantageous to the Issuer, funding the Series 2018 A Bonds Reserve Account (or paying the premium for a Municipal Bond Debt Service Reserve Insurance Policy, if determined to be financially advantageous to the Issuer) and paying costs of issuance of the Series 2018 A Bonds and related costs, there shall be issued the Series 2018 A Bonds of the Issuer, in one or more series, in an aggregate principal amount of not more than $1,500,000 The Series 2018 A Bonds shall be designated the "City of Salem (West Virginia) Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified)" and shall be issued in fully registered form, in denominations of $5,000 or any integral multiple thereof for any year of maturity (or such other denominations as may be set forth in the Supplemental Resolution), not exceeding the aggregate principal amount of Series 2018 A Bonds maturing in the year of maturity for which the denomination is to be specified. The Series 2018 A Bonds shall be numbered from AR-1 consecutively upward. The Series 2018 A Bonds shall be dated; shall be in such aggregate principal amount; shall bear interest at such rate or rates, not exceeding the then legally permissible rate, payable semiannually on such dates; shall mature on such dates and in such amounts; shall be subject to such mandatory and optional redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein and in the Supplemental Resolution.

B. For the purposes of paying the costs of acquisition and construction of the Project, paying capitalized interest, if any, funding the Series 2018 B Bonds Reserve Account and paying costs in connection therewith, there shall be issued the Series 2018 B Bonds of the Issuer, in one or more series, in an aggregate principal amount of not more than $2,500,000. Said Series 2018 B Bonds shall be designated “Sewer Revenue Bonds, Series 2018 B (Bank Qualified)” or such other designation as may be appropriate for the year and sequence of the issue, as may be set forth in a Supplemental Resolution, and shall be issued in fully registered form, in the denomination of $5,000 or any integral multiple thereof for any period of maturity, not exceeding the aggregate principal amount of Series 2018 B Bonds maturing in the period of maturity for which the denomination is to be specified. The Series 2018 B Bonds shall be numbered from BR-1 consecutively upward. The Series 2018 B Bonds shall be dated; shall be in such aggregate principal amount (not to exceed $2,500,000); shall bear interest at such rate or rates, not

exceeding the then legally permissible rate (not to exceed 6.0%), payable semiannually on such dates; shall mature on such dates (which may be annual or semi-annual) (not to exceed 30 years) and in such amounts; shall be subject to such mandatory and optional redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein and in the Supplemental Resolution.

Section 3.11. Book Entry System for Series 2018 Bonds. A. The Series 2018 Bonds shall each initially be issued in the form of one fully-registered bond for the aggregate principal amount of the Series 2018 Bonds of each maturity, registered in the name of CEDE & CO., as nominee of DTC. Except as provided in Paragraph E below, all of the Series 2018 Bonds shall be registered in the registration books kept by the Registrar in the name of CEDE & CO., as nominee of DTC; provided, that if DTC shall request that the Series 2018 Bonds be registered in the name of a different nominee, the Registrar shall exchange all or any portion of the Series 2018 Bonds registered in the name of such nominee or nominees. No person other than DTC or its nominee shall be entitled to receive from the Issuer or the Registrar either a Series 2018 Bond or any other evidence of ownership of the Series 2018 Bonds, or any right to receive any payment in respect thereof unless DTC or its nominee shall transfer record ownership of all or any portion of the Series 2018 Bonds on the registration books maintained by the Registrar, in connection with discontinuing the book entry system as provided in Paragraph E below.

B. Prior to authorizing the publication of an Official Statement for the Series 2018 Bonds, the Issuer shall execute or signify its approval of a representation letter addressed to DTC in a form satisfactory to DTC (the "Representation Letter").

C. So long as the Series 2018 Bonds or any portion thereof are registered in the name of DTC or any nominee thereof, all payments of the principal or Redemption Price of or interest on such Series 2018 Bonds shall be made to DTC or its nominee at the addresses set forth in the Representation Letter in New York Clearing House or equivalent next day funds on the dates provided for such payments to be made to any Bondholder under this Ordinance. Each such payment to DTC or its nominee shall be valid and effective to fully discharge all liability of the Issuer and the Registrar with respect to the principal or Redemption Price of or interest on the Series 2018 Bonds to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Series 2018 Bonds Outstanding of any maturity, the Registrar shall not require surrender by DTC of the Series 2018 Bonds so redeemed, but DTC may retain such Series 2018 Bonds and make an appropriate notation on the Series 2018 Bonds certificate as to the amount of such partial redemption; provided, that DTC shall deliver to the Registrar, upon request, a written confirmation of such partial redemption. The records maintained by the Registrar shall be conclusive as to the amount of the Series 2018 Bonds of such maturity which have been redeemed.

D. The Issuer, the Paying Agent and the Registrar may treat DTC as the sole and exclusive owner of the Series 2018 Bonds registered in its name or the name of its nominee for the purposes of payment of the principal or Redemption Price of or interest on the Series 2018 Bonds, selecting the Series 2018 Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Ordinance, registering the transfer of Series 2018 Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever; and neither the Issuer nor the Registrar shall be affected by any notice to the contrary. Neither the Issuer nor the Registrar shall have any responsibility or obligation to any direct or indirect participant in DTC, any person claiming a beneficial ownership interest in the Series 2018 Bonds under or through DTC or any such participant, or any other person which is not shown on the registration books of the Registrar as being a Bondholder with respect to (i) the Series 2018 Bonds, (ii) the accuracy of any records maintained

by DTC or any such participant, (iii) the payment by DTC or any such participant of any amount in respect of the principal or Redemption Price of or interest on the Series 2018 Bonds, (iv) any notice which is permitted or required to be given to Bondholders under this Ordinance, (v) the selection by DTC or any such participant of any person to receive payment in the event of a partial redemption of the Series 2018 Bonds, or (vi) any consent given or other action taken by DTC as Bondholder.

E. The book entry system for registration of the ownership of the Series 2018 Bonds may be discontinued at any time if either: (i) DTC determines to resign as securities depository for the Series 2018 Bonds; or (ii) the Issuer determines that continuation of the system of book entry transfers through DTC (or through a successor securities depository) is not in the best interest of the beneficial owners of the Series 2018 Bonds. In either of such events (unless in the case described in clause (iii) above, the Issuer appoints a successor securities depository), the Series 2018 Bonds shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Issuer or the Registrar for the accuracy of such designation. Whenever DTC requests the Issuer and the Registrar to do so, the Issuer and the Registrar shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Series 2018 Bonds.

Section 3.12. Delivery of Series 2018 Bonds. The Issuer shall execute and deliver the Series 2018 Bonds to the Registrar, and the Registrar shall authenticate, register and deliver the Series 2018 Bonds to the Original Purchaser upon receipt of the documents set forth below:

(1) If not registered in the name of DTC or its nominee, a list of the names in which the Series 2018 Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Registrar may reasonably require;

(2) A request and authorization to the Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2018 Bonds to DTC for the benefit of the Original Purchaser;

(3) Copies, certified by the City Clerk, of this Ordinance and the Supplemental Resolution;

(4) The unqualified approving opinions upon the Series 2018 Bonds by Bond Counsel; and

(5) Such other opinions, certificates and documents as shall be reasonably requested by the Original Purchaser.

Section 3.13. Forms of Series 2018 Bonds. The definitive Series 2018 Bonds shall be in substantially the forms set forth in EXHIBIT A-1 – FORM OF SERIES 2018 A BONDS AND EXHIBIT A-2 FORM OF SERIES 2018 B BONDS attached hereto and incorporated herein by reference, with such necessary and appropriate omissions, insertions and variations as are approved by those officers executing such Series 2018 Bonds on behalf of the Issuer and execution thereof by such officers shall constitute conclusive evidence of such approval, and the definitive Series 2018 Bonds shall have the form of the opinion of Steptoe & Johnson PLLC, as Bond Counsel, attached thereto or printed on the reverse thereof.

Section 3.14. Disposition of Proceeds of Series 2018 Bonds. Upon the issuance and delivery of the Series 2018 Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

1. All interest accrued, if any, on the Series 2018 A Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2018 A Bonds Sinking Fund and applied to payment of interest on the Series 2018 A Bonds at the first interest payment date.

2. All interest accrued, if any, on the Series 2018 B Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2018 B Bonds Sinking Fund and applied to payment of interest on the Series 2018 B Bonds at the first interest payment date.

3. An amount of the proceeds of the Series 2018 A Bonds equal to the amount, if any, set forth in the Supplemental Resolution or related Certificate of Determinations shall be remitted to the Bond Commission for deposit in the Series 2018 A Bonds Reserve Account; provided, that to the extent the Series 2018 A Bonds Reserve Requirement is satisfied in whole or in part from a reserve account letter of credit, surety bond or other credit facility, proceeds of the Series 2018 A Bonds shall be deposited in the Series 2018 A Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2018 A Bonds Reserve Requirement.

4. An amount of the proceeds of the Series 2018 B Bonds equal to the amount, if any, set forth in the Supplemental Resolution or related Certificate of Determinations shall be remitted to the Bond Commission for deposit in the Series 2018 B Bonds Reserve Account; provided, that to the extent the Series 2018 B Bonds Reserve Requirement is satisfied in whole or in part from a reserve account letter of credit, surety bond or other credit facility, proceeds of the Series 2018 B Bonds shall be deposited in the Series 2018 B Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2018 B Bonds Reserve Requirement.

5. An amount of the proceeds of the Series 2018 A Bonds equal to the amount set forth in the Supplemental Resolution or related Certificate of Determinations, shall be remitted to the National Finance Office to pay the Series 1995 B Bonds.

6. The amount of Series 2018 A Bond and Series 2018 B Bond proceeds which, together with other monies or securities deposited therein shall be equal to the Costs of Issuance of the Series 2018 Bonds shall be deposited with the Depository Bank in the Series 2018 Bonds Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the Series 2018 Bonds at the written direction of the Issuer. Monies not to be applied immediately to pay such costs of issuance may be invested in accordance with this Ordinance, subject however, to applicable yield restrictions as may be in effect under the Code. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 120 days following the Closing Date for the Series 2018 Bonds, such unapplied proceeds shall be transferred by the Issuer to the Series 2018 Bonds Sinking Fund established in Section 4.01 hereof and applied to the next ensuing payment of interest on the Series 2018 Bonds. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such monies until so applied in favor of the Holders of the Series 2018 Bonds from which such proceeds are derived.

7. The balance of Series 2018 B Bonds proceeds, if any, shall be deposited in the Series 2018 Bonds Construction Fund and disbursed as provided in Section 3.15 hereof.

Section 3.15. Disbursements from the Series 2018 Bonds Construction Fund. Disbursements from the Series 2018 Bonds Construction Fund, except for payment of Costs of Issuance of the Series 2018 Bonds in excess of the monies available in the Costs of Issuance Fund which shall be made upon request of the Issuer, shall be made only for acquisition and construction of the Project, including all necessary engineering and other professional services relating thereto. Pending such application, monies in the Series 2018 Bonds Construction Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE IV

SYSTEM REVENUES; FUNDS AND ACCOUNTS

Section 4.01. Establishment of Funds and Accounts with Depository Bank. Pursuant to this Article IV, the following special funds are created with, and shall be held by, the Depository Bank, segregated from all other funds and accounts of the Depository Bank or the Issuer and from each other (except as set forth in this Section 4.01), and used solely for the purposes provided herein:

(1) Revenue Fund;

(2) Renewal and Replacement Fund;

(3) Series 2018 Costs of Issuance Fund;

(4) Rebate Fund; and

(5) Series 2018 Bonds Construction Fund.

Section 4.02. Establishment of Funds and Accounts with Bond Commission. The following special funds or accounts are hereby created with and shall be held by the Commission, separate and apart from all other funds or accounts of the Commission or the Issuer and from each other:

(1) Series 2018 A Bonds Sinking Fund;

(2) Series 2018 A Bonds Reserve Account;

(3) Series 2018 A Bonds Redemption Account;

(4) Series 2018 B Bonds Sinking Fund;

(5) Series 2018 B Bonds Redemption Account; and

(6) Series 2018 B Bonds Reserve Account.

Section 4.03. System Revenues and Application Thereof. So long as any of the Series 2018 Bonds shall be Outstanding and unpaid, the Issuer covenants as follows:

A. The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited by the Issuer in the Revenue Fund. The Revenue Fund shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. All Revenues at any time remaining on deposit in the Revenue Fund shall be disposed of only in the following manner and order of priority:

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

(2) The Issuer shall next, each month on or before the due date, transfer from the Revenue Fund and simultaneously remit to the Commission (i) beginning on the first day of that month which is 6 months prior to the first interest payment date on the Series 2018 A Bonds, apportion and set apart out of the Revenue Fund and deposit in the Series 2018 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 2018 A Bonds on the next ensuing semiannual interest payment date; provided, that in the event the period to elapse between the date of such initial deposit in the Series 2018 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date, and provided further, that the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2018 A Bonds Sinking Fund shall be reduced by the amount of accrued interest, if any, on the Series 2018 A Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2018 A Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2018 A Bonds Sinking Fund; and (ii) beginning on the first day of that month which is 6 months prior to the first interest payment date on the Series 2018 B Bonds, apportion and set apart out of the Revenue Fund and deposit in the Series 2018 B Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 2018 B Bonds on the next ensuing semiannual interest payment date; provided, that in the event the period to elapse between the date of such initial deposit in the Series 2018 B Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date, and provided further, that the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2018 B Bonds Sinking Fund shall be reduced by the amount of accrued interest, if any, on the Series 2018 B Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2018 B Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2018 B Bonds Sinking Fund.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) for deposit in the Series 2018 A Bonds Sinking Fund (and in the Series 2018 A Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed) on the first day of each month, beginning on the first day of that month which is 12 months prior to the first principal payment or mandatory Redemption Date of the Series 2018 A Bonds, a sum equal to 1/12th of the amount (or 1/6th of the amount if the Series 2018 A Bonds mature semiannually rather than annually) of principal which will mature or be redeemed and become due on the Series 2018 A Bonds on the next ensuing principal payment or mandatory Redemption Date; provided, that in the event the period to elapse between the date of such initial deposit in the Series 2018 A Bonds Sinking Fund and the next ensuing principal payment or mandatory Redemption Date is less than or greater than 12 months (or 6 months if the Series 2018 A Bonds mature semiannually rather than

annually), then such monthly payments shall be increased or decreased proportionately to provide, one month prior to the next ensuing principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2018 A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph; and (ii) for deposit in the Series 2018 B Bonds Sinking Fund (and in the Series 2018 B Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed) on the first day of each month, beginning on the first day of that month which is 12 months prior to the first principal payment or mandatory Redemption Date of the Series 2018 B Bonds, a sum equal to 1/12th of the amount (or 1/6th of the amount if the Series 2018 B Bonds mature semiannually rather than annually) of principal which will mature or be redeemed and become due on the Series 2018 B Bonds on the next ensuing principal payment or mandatory Redemption Date; provided, that in the event the period to elapse between the date of such initial deposit in the Series 2018 B Bonds Sinking Fund and the next ensuing principal payment or mandatory Redemption Date is less than or greater than 12 months (or 6 months if the Series 2018 B Bonds mature semiannually rather than annually), then such monthly payments shall be increased or decreased proportionately to provide, one month prior to the next ensuing principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2018 B Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) commencing 13 months prior to the first date of payment of principal of the Series 2018 A Bonds, if not fully funded upon issuance of the Series 2018 A Bonds, for deposit in the Series 2018 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2018 A Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 2018 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2018 A Bonds Reserve Requirement; provided further, that if the amounts in the Series 2018 A Bonds Reserve Account, as a result of a decrease in value of the Series 2018 A Bonds Reserve Account below the Series 2018 A Bonds Reserve Account Requirement or any withdrawal from the Series 2018 A Bonds Reserve Account, the Issuer shall apply such monies for deposit into the Series 2018 A Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 2018 A Bonds Reserve Account results in a determination that the amount of monies and the value of the Qualified Investments deposited to the credit of the Series 2018 A Bonds Reserve Account is less than the Series 2018 A Bonds Reserve Account Requirement, or (b) any amount is withdrawn from the Series 2018 A Bonds Reserve Account for deposit into the Series 2018 A Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of monies on deposit in the Series 2018 A Bonds Reserve Account to an amount equal to the Series 2018 A Bonds Reserve Account Requirement to the full extent that such Net Revenues are available; provided, however, that if the shortfall in the Series 2018 A Bonds Reserve Account is due to a decrease in the value of investments therein, such shortfall shall be replenished by not less than 4 equal monthly payments, and if such shortfall is due to a withdrawal from the Series 2018 A Bonds Reserve Account, such shortfall shall be replenished by not less than 12 equal monthly payments, and provided further, that no payments shall be required to be made into the Series 2018 A Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2018 A Reserve Account Requirement; and (ii) commencing 13 months prior to the first date of payment of principal of the Series 2018 B Bonds, if not fully funded upon issuance of the Series 2018 B Bonds, for deposit in the Series 2018 B Bonds Reserve Account, an amount equal to 1/120th of the Series 2018 B

Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 2018 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2018 B Bonds Reserve Requirement; provided further, that if the amounts in the Series 2018 B Bonds Reserve Account, as a result of a decrease in value of the Series 2018 B Bonds Reserve Account below the Series 2018 B Bonds Reserve Account Requirement or any withdrawal from the Series 2018 B Bonds Reserve Account, the Issuer shall apply such monies for deposit into the Series 2018 B Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 2018 B Bonds Reserve Account results in a determination that the amount of monies and the value of the Qualified Investments deposited to the credit of the Series 2018 B Bonds Reserve Account is less than the Series 2018 B Bonds Reserve Account Requirement, or (b) any amount is withdrawn from the Series 2018 B Bonds Reserve Account for deposit into the Series 2018 B Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of monies on deposit in the Series 2018 B Bonds Reserve Account to an amount equal to the Series 2018 B Bonds Reserve Account Requirement to the full extent that such Net Revenues are available; provided, however, that if the shortfall in the Series 2018 B Bonds Reserve Account is due to a decrease in the value of investments therein, such shortfall shall be replenished by not less than 4 equal monthly payments, and if such shortfall is due to a withdrawal from the Series 2018 B Bonds Reserve Account, such shortfall shall be replenished by not less than 12 equal monthly payments, and provided further, that no payments shall be required to be made into the Series 2018 B Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2018 B Reserve Account Requirement.

Amounts in the Series 2018 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2018 A Bonds when due, when amounts in the Series 2018 A Bonds Sinking Fund are insufficient therefor and for no other purpose.

Amounts in the Series 2018 B Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2018 B Bonds when due, when amounts in the Series 2018 B Bonds Sinking Fund are insufficient therefor and for no other purpose.

(5) The Issuer shall next, on the first day of each month, transfer from the monies remaining in the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, a sum equal to 2.5% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, or improvements or extensions to the System; provided, that any deficiency in any Reserve Account, except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of deficiency, funded such account to the maximum extent required hereof, shall promptly be eliminated with monies from the Renewal and Replacement Fund.

(6) Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove provided, are current and there remains in the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by the Act, such excess shall be

considered as surplus revenues (the "Surplus Revenues"). Surplus Revenues may be used for any lawful purpose of the System.

B. The Bond Commission is hereby designated as the fiscal agent for the administration of the Series 2018 A Bonds Sinking Fund and Series 2018 B Bonds Sinking Fund created hereunder, and all amounts required for said Sinking Funds shall be remitted to the Bond Commission from said Revenue Fund and from the proceeds of the sale of the Series 2018 Bonds, by the Issuer at the times and as otherwise provided herein. All remittances made by the Issuer to the Bond Commission shall clearly identify the fund or account into which each amount is to be deposited.

C. The monies on deposit in the Revenue Fund and the Renewal and Replacement Fund in excess of the sum insured by the FDIC shall at all times be secured, to the full extent thereof in excess of such insured sum, by Government Obligations or by other Qualified Investments as shall be eligible as security for deposits of municipal funds under the laws of the State.

ARTICLE V

INVESTMENTS; NON-ARBITRAGE; REBATES AND CONTINUING DISCLOSURE

Section 5.01. Investments. The Issuer shall invest and reinvest, and shall instruct the Bond Commission and the Depository Bank to invest and reinvest, any monies held as a part of the funds and accounts created by this Ordinance in Qualified Investments to the fullest extent possible under applicable laws, this Ordinance, the need for such monies for the purposes set forth herein and the specific restrictions and provisions set forth in this section.

Except as provided below, any investment shall be held in and at all times deemed a part of the fund or account in which such monies were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The Issuer shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Issuer may make any and all investments permitted by this section through the bond department of the Depository Bank. The Depository Bank shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The following specific provisions shall apply with respect to any investments made under this section (unless otherwise required by the Bond Insurer, if any, and as set forth in the Supplemental Resolution):

(A) Qualified Investments acquired for the Series 2018 A Bonds Reserve Account and Series 2018 B Bonds Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 5 years from the date of such investment.

(B) The Issuer shall, or shall cause the Bond Commission to, annually transfer from the Series 2018 A Bonds Reserve Account to the Series 2018 A Bonds Sinking Fund any earnings on the monies deposited therein and any other funds in excess of the Series 2018 A Bonds Reserve Requirement,

provided, however, that there shall at all times remain on deposit in the Series 2018 A Bonds Reserve Account an amount at least equal to the Series 2018 A Bonds Reserve Requirement.

The Issuer shall, or shall cause the Bond Commission to, annually transfer from the Series 2018 B Bonds Reserve Account to the Series 2018 B Bonds Sinking Fund any earnings on the monies deposited therein and any other funds in excess of the Series 2018 B Bonds Reserve Requirement, provided, however, that there shall at all times remain on deposit in the Series 2018 B Bonds Reserve Account an amount at least equal to the Series 2018 B Bonds Reserve Requirement.

(C) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the Series 2018 A Bonds Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2018 A Bonds Reserve Account shall, at any time, be less than the applicable Series 2018 A Bonds Reserve Requirement, the applicable Bond Insurer, if any, shall be notified immediately of such deficiency, and such deficiency shall be made up from the first available Net Revenues after required deposits to the Sinking Fund and otherwise in accordance with Section 4.03.

In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the Series 2018 B Bonds Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2018 B Bonds Reserve Account shall, at any time, be less than the applicable Series 2018 B Bonds Reserve Requirement, the applicable Bond Insurer, if any, shall be notified immediately of such deficiency, and such deficiency shall be made up from the first available Net Revenues after required deposits to the Sinking Fund and otherwise in accordance with Section 4.03.

(D) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the Series 2018 Bonds, as appropriate, and invested only in Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(E) Notwithstanding the foregoing, all monies deposited in the Series 2018 A Bonds Sinking Fund and Series 2018 B Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia Board of Treasury Investments pursuant to Chapter 12, Article 6C of the Code of West Virginia, 1931, as amended.

Section 5.02. Continuing Disclosure Agreement. The Issuer shall deliver a continuing disclosure agreement or certificate in form acceptable to the Original Purchaser, the form of which shall be approved by the Supplemental Resolution, sufficient to ensure compliance with Rule 15c2-12, as it may be amended from time to time, and the Issuer hereby instructs the Mayor and City Clerk to take all actions necessary for the Issuer to comply with the continuing disclosure agreement.

Section 5.03. Arbitrage and Tax Exemption. The Issuer covenants that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Series 2018 Bonds which would cause the Series 2018 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Series 2018 Bonds)

so that the interest on the Series 2018 Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 5.04. Tax Certificate, Rebates, and Rebate Fund. The Issuer shall deliver a tax certificate or other similar certificate to be prepared by Bond Counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of any series of Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 2018 Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Ordinance.

Unless exempted therefrom, the Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. Upon completion of each such annual calculation, the Issuer shall deposit, or cause to be deposited, in the Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the Rebate Fund to equal the sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge hereunder and used only for payment of rebatable arbitrage to the United States. The Issuer shall pay, or cause to be paid, to the United States, from the Rebate Fund, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be in time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefore. The Issuer at its expense, may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer may deem appropriate in order to assure compliance with this Section 5.04. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 5.04 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and other amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes.

ARTICLE VI

ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01. Covenants Binding and Irrevocable. All the covenants, agreements and provisions of this Ordinance shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2018 Bonds, as prescribed by Article VII. In addition to the other covenants, agreements and provisions of this Ordinance, the Issuer hereby covenants and agrees with the Holders of the Series 2018 Bonds, as

hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2018 Bonds or the interest thereon, are Outstanding and unpaid.

Section 6.02. Bonds not to be Indebtedness of the Issuer. A. The Series 2018 A Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness but shall be payable solely from the Net Revenues of the System, the monies in the Series 2018 A Bonds Sinking Fund and all accounts therein, the unexpended proceeds of the Series 2018 A Bonds or money in the Series 2018 Bonds Construction Fund, if any, all as herein provided. No Holder or Holders of any Series 2018 A Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Series 2018 A Bonds or the interest thereon.

B. The Series 2018 B Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness but shall be payable solely from the Net Revenues of the System, the monies in the Series 2018 B Bonds Sinking Fund and all accounts therein, the unexpended proceeds of the Series 2018 B Bonds or money in the Series 2018 Bonds Construction Fund, if any, all as herein provided. No Holder or Holders of any Series 2018 B Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Series 2018 B Bonds or the interest thereon.

Section 6.03. Bonds Secured by Pledge of Net Revenues and Monies in Sinking Fund. The payment of the debt service of all of the Series 2018 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 Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Series 2018 A Bonds herein authorized, to make the payments into the Series 2018 A Bonds Sinking Fund, all monies and securities in the Series 2018 A Bonds Sinking Fund and the Series 2018 A Bonds Reserve Account, are hereby irrevocably pledged in the manner provided in this Ordinance to the payment of the principal of and interest on the Series 2018 A Bonds herein authorized as the same become due and for the other purposes provided in this Ordinance.

The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Series 2018 B Bonds herein authorized, to make the payments into the Series 2018 B Bonds Sinking Fund, all monies and securities in the Series 2018 B Bonds Sinking Fund and the Series 2018 B Bonds Reserve Account, are hereby irrevocably pledged in the manner provided in this Ordinance to the payment of the principal of and interest on the Series 2018 B Bonds herein authorized as the same become due and for the other purposes provided in this Ordinance.

Section 6.04. Rates. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal and the Issuer shall supply an opinion of counsel to such effect. Such rates and charges shall be sufficient to comply with the requirements of the Bond Purchase Agreement and the Issuer shall supply a certificate of Certified Public Accountant to such effect. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in the sewer rate ordinance of the Issuer enacted April 4, 2011, which rates are incorporated herein by reference as a part hereof.

So long as the Series 2018 Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Ordinance and in compliance with this Ordinance. In the event the schedule of rates and charges initially established for the System in connection with the Series 2018 Bonds shall prove to be insufficient to produce the required sums set forth in this Ordinance, the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Ordinance.

Prior to the issuance of the Series 2018 Bonds, rates or charges for the use of the services and facilities of the System will be fixed and established, all in the manner and form required by law, and a copy of such rates and charges so fixed and established shall at all times be kept on file in the office of the City Clerk of the Issuer, which copy will be open to inspection by all interested parties. The schedule or schedules of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds and accounts created hereunder. Such schedule or schedules of rates and charges shall be revised from time to time, whenever necessary, so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that rates or charges from time to time in effect shall be sufficient, together with other revenues of the System, to provide a rate coverage sufficient, together with other revenues of the System, to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2018 Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with, or subordinate to, the Series 2018 Bonds.

The Issuer hereby covenants to commence enactment of such ordinance or ordinances as shall be required to increase the rates and charges for the services and facilities of the System within 90 days following a determination of the Independent Certified Public Accountant that less than the above-required coverage exists or in the event that the annual audit report shows less than the above-required coverage, such increase to provide rates and charges sufficient to produce such required coverage. The Issuer shall require that each annual audit contain a statement of the auditor that the Issuer is in or is not in compliance with the rate covenant in this Section 6.04.

Section 6.05. Completion of Project; Operation and Maintenance. The Issuer will complete the Project as promptly as possible. The Issuer will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of said System in the manner provided in this Ordinance.

The Issuer will obtain all permits required by state and federal laws for the acquisition and construction of the Project and the operation of the System.

Section 6.06. Sale of the System. So long as the Series 2018 Bonds are Outstanding, the System may be sold, mortgaged, leased or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to defease the pledge created by this Ordinance as provided by Section 9.01. The proceeds from such sale, mortgage, lease or other disposition

of the System shall be immediately remitted to the Bond Commission for deposit in the Series 2018 Bonds Sinking Fund, and otherwise as prescribed by Section 9.01. Any balance remaining after such defeasance shall be remitted to the Issuer by the Bond Commission unless necessary for the payment of other obligations of the Issuer payable out of the Net Revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor is not in excess of $500,000, the Issuer may provide for the sale of such property. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of $500,000 but not in excess of $1,000,000 the Issuer shall first, in writing, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Issuer may then, if it be so advised, by resolution duly adopted, approve and concur in such finding and authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds derived from any such sale, lease or other disposition of such property not in excess of $1,000,000, shall be deposited by the Issuer into the Renewal and Replacement Fund.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom shall be in excess of $1,000,000 and insufficient to defease the pledge created by this Ordinance, as provided by Section 9.01, without the prior approval and consent in writing of any applicable Bond Insurer, if any, and the Holders, or their duly authorized representatives, of 51% in amount of Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the Bond Insurer, if any, and the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 6.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. The Issuer shall not issue any other obligations whatsoever, except Additional Parity Bonds provided for in Section 6.08 hereof, payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from the Net Revenues with the Series 2018 Bonds; and all obligations hereafter issued by the Issuer payable from the revenues of the System, except such Additional Parity Bonds, shall contain an express statement that such obligations are junior and subordinate as to lien on and source of and security for payment from such revenues and in all other respects to the Series 2018 Bonds.

The Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or, except with respect to such Additional Parity Bonds, being on a parity with the lien of the Series 2018 Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Series 2018 Bonds and the interest thereon in this Ordinance or upon the System or any part thereof.

Section 6.08. Additional Parity Bonds. No such additional Parity Bonds shall be issued except for the purposes of financing the costs of the design, acquisition and construction of extensions, additions, betterments or improvements to the System, refunding all or a portion of one or more series of Bonds issued pursuant hereto, or to pay claims which may exist against the revenues or facilities of the System or all of such purposes.

So long as the Series 2018 Bonds are outstanding, no Parity Bonds shall be issued at any time, however, unless and until there has been procured a written statement by Independent Certified Public Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustment hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such additional Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall be not less than 115%, of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

(1) The Bonds then Outstanding;

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

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

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

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

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the 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 the 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 Ordinance with respect to the Bonds then Outstanding, and any other payments provided for in this Ordinance, shall have been made in full as required to the date of issuance of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Ordinance.

Provided, however, that if the most recent audit by an independent certified public accountant for the Issuer states that the Issuer was not in compliance with the rate covenant in Section 6.04 of this Ordinance for the year being audited and the Issuer has, as required by Section 6.04, sought a rate increase sufficient to comply with Section 6.04, such statement in the most recent audit shall not be considered a violation of the covenants, agreements and terms of this Ordinance, so as to prevent the Issuer from issuing additional Parity Bonds under this Section 6.08.

Section 6.09. Insurance and Bonds. The Issuer hereby covenants and agrees, that so long as the Series 2018 Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance and bonds and workers' compensation coverage with a reputable insurance carrier or carriers or bonding company or companies rated at least "A" by Standard & Poor's Corporation covering the following risks and in the following amounts:

A. FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the greater of the fair appraised value or the original cost thereof. In the event of any damage to or destruction of any portion of the System, the Issuer will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damages or destroyed portion. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the Issuer during construction of the Project in the full insurable value thereof.

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

C. WORKERS' COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT OR COMPLETION BONDS, such bonds to be in the amounts of not less than 100% of the amount of any construction contract and to be required of each contractor dealing directly with the Issuer and such payment bonds will be filed with the Clerk of the County Commission of Harrison County prior to commencement of construction of any additions, extensions or improvements for the System in compliance with West Virginia Code, Section 38-2-39.

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

E. BUSINESS INTERRUPTION INSURANCE, to the extent available at reasonable cost to the Issuer.

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

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

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

Section 6.10. No Free Services, Services Rendered to the Issuer. The Issuer will not render or cause to be rendered any free services of any nature by its System; and, in the event the Issuer or any department, agency, instrumentality, officer or employee thereof shall avail himself of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 6.11. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

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

been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 6.12. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 6.13. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Series 2018 Bond, shall have the right at all reasonable times to inspect the System, and all parts thereof, and all records, accounts and data of the Issuer relating thereto.

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

The Issuer shall file with the Original Purchaser and any Bond Insurer, and shall mail to any Bondholder requesting the same, an annual report within 30 days following the date of receipt of the final audit containing a balance sheet, statement of revenues, expenses, and changes in retained earnings, and statement of cash flows, as prescribed by generally accepted accounting principles.

The Issuer shall also file with the Original Purchaser and any Bond Insurer, and mail to any Bondholder requesting the same, a monthly unaudited report within 30 days following the end of each month containing the following:

(A) A statement of Gross Revenues, Operating Expenses, and Net Revenues derived from the System; and

(B) A statement of account balances in the Sinking Fund accounts provided for in this Ordinance and status of said funds.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by an Independent Accountant, shall mail upon request, and make available generally, the report of said Independent Certified Public Accountant, or a summary thereof, to any Holder or Holders of Series 2018 Bonds issued pursuant to this Ordinance and shall file said report with the Original Purchaser.

Section 6.14. Operating Budget. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, or at such earlier date required by the charter of the Issuer, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year. The Issuer shall make available such

budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Original Purchaser and to any Bondholder or anyone acting for and in behalf of such Bondholder who requests the same.

Section 6.15. Mandatory Connections. The mandatory use of the 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 6.16. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2018 Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon the issuance of the Series 2018 Bonds.

Section 6.17. Covenants Regarding the Municipal Bond Insurance Policy. The Issuer may obtain a Municipal Bond Insurance Policy for the Series 2018 Bonds. In the event such Municipal Bond Insurance Policy is obtained, certain additional covenants of the Issuer will be required by the Bond Insurer as a condition to insuring the Series 2018 Bonds. These additional covenants shall be set forth in full in the Supplemental Resolution, shall apply to the Series 2018 Bonds and any other Bonds which may be insured by such Bond Insurer, and shall be controlling in the event any other provisions of this Ordinance may be in conflict therewith.

Section 6.18. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 2018 Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 2018 Bonds during the term thereof is, under the terms of the Series 2018 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or

to be used for a Private Business Use; and (ii) and that, in the event that both (A) in excess of 5% of the Net Proceeds of the Series 2018 Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 2018 Bonds during the term thereof is, under the terms of the Series 2018 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 2018 Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the Project, or if the Series 2018 Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of that portion of the Project to which such Private Business Use is related, all of the foregoing to be determined in accordance with the Code.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Series 2018 Bonds or $5,000,000 are used, directly or indirectly, to make or finance a loan to persons other than state or local government units

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2018 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

D. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 2018 Bonds and the interest thereon, including without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take all actions that may be required of it so that the interest on the Series 2018 Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion. .

Section 6.19. Continuing Disclosures. In order to provide the written undertaking for the benefit of the owners of the Series 2018 Bonds required by the Securities and Exchange Commission Rule 15c2-12, the Issuer shall enter into a Continuing Disclosure Agreement in such form as may be approved by the Supplemental Resolution, and the Mayor are authorized and directed to execute and deliver such Continuing Disclosure Agreement on behalf of the Issuer, with such changes as the Mayor shall approve, such approval to be conclusively evidenced by the execution of such Agreement by the Mayor.

Section 6.20 Preliminary Official Statement; Official Statement. The distribution of the Preliminary Official Statement with respect to the Series 2018 Bonds shall be and the same is hereby approved. The form of the Preliminary Official Statement shall be in such form as may be approved by the Supplemental Resolution. The Mayor is hereby authorized and directed to execute and deliver a final official statement on behalf of the Issuer, which shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be required to reflect the terms of the sale of the Series 2018 Bonds and as the Mayor may approve (the "Official Statement"). The execution of the Official Statement by the Mayor shall be conclusive evidence of such approval. Copies of the Official Statement are hereby authorized to be prepared and furnished to the Original Purchaser for distribution.

Section 6.21. Designation of Series 2018 Bonds as "Qualified Tax-Exempt Obligations". The Issuer hereby designates the Series 2018 Bonds as "qualified tax-exempt obligations" for purposes of paragraph 3 of Section 265(b) of the Code and affirms that not more than $10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income tax purposes (excluding, however, obligations described in Section 265 (b)(3)(C)(ii) of the Code), have been or shall be issued by the Issuer or any entities subordinate to it, during the calendar year 2018, all as determined in accordance with the Code. For purposes of the paragraph and for the purposes of applying such Section 265(b)(3) of the Code, the Issuer and all entities which issue obligations on behalf of the Issuer shall be treated as one issuer; all obligations issued by a subordinate entity shall, for purposes of applying this paragraph and Section 265(b)(3) of the Code to each other entity to which such entity is subordinate, be treated and issued by such other entity; and an entity formed (or, to the extent provided by the City Clerk, as set forth in the Code, availed of) to avoid the purposes of section 265(b)(3)(C) or (D) of the Code and all entities benefitting thereby shall be treated as one issuer.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2018 Bonds:

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

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part in this Ordinance or any Supplemental Resolution or in the Series 2018 Bonds contained, and such default shall have continued for a period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer by any Bondholder, beneficial owner of a Bond, or any Insurer; or

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

Section 7.02. Enforcement. Upon the happening and continuance of any Event of Default, any Bondholder or beneficial owner of a Bond (with the prior written consent of the applicable Bond Insurer) or any Bond Insurer may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular:

(A) Bring suit for any unpaid principal or interest then due;

(B) By mandamus or other appropriate proceeding enforce all rights of the Bondholders, including the right to require the Issuer to perform its duties under the Act and this Ordinance;

(C) Bring suit upon the Series 2018 Bonds, as applicable;

(D) By action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Bondholders; and

(E) By action or bill in equity enjoin any acts in violation of this Ordinance or the rights of the Bondholders.

No remedy by the terms of this Ordinance conferred upon or reserved to the Bondholders or beneficial owner of a Bond is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Bondholders or beneficial owner of a Bond hereunder or now or hereafter existing at law or by statute.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder by the Bondholders shall be made without the prior written consent of the applicable Bond Insurer or shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereto.

Section 7.03. Appointment of Receiver. If there be any Event of Default existing and continuing, any Bondholder, beneficial owner of a Bond or any Bond Insurer shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the principal of and interest on the Series 2018 Bonds, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other Revenues in conformity with the provisions of this Ordinance and the Act.

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

Whenever all that is due upon the Series 2018 Bonds issued pursuant to this Ordinance and interest thereon and under any covenants of this Ordinance for reserve, sinking or other funds and accounts and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Revenues of the System shall have been paid and made good, and all defaults under the provisions of this Ordinance shall have been cured and made good, and all monies due hereunder or under any Supplemental Resolution have been paid in full, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Bondholder or beneficial owner of the 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, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby and a successor receiver appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court

to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and the Holders of the Series 2018 Bonds issued pursuant to this Ordinance. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the Issuer and the Bondholders or beneficial owner of the Bonds, and the curing and making good of any default under the provisions of this Ordinance, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

Notwithstanding any other provision of this Ordinance, in determining whether the rights of the Bondholders or beneficial owner of the Bonds will be adversely affected by any action taken pursuant to the terms and provisions of this Ordinance, any trustee or Bondholder's committee shall consider the effect on the Bondholders or beneficial owner of the Bonds as if no Municipal Bond Insurance Policy were then in effect.

Section 7.04. Restoration of Issuer and Bondholder. In case any Bondholder shall have proceeded to enforce any right under this Ordinance by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Issuer and such Bondholder shall be restored to their former positions and rights hereunder, and all rights and remedies of such Bondholder shall continue as if no such proceedings had been taken.

ARTICLE VIII

REGISTRAR AND PAYING AGENT

Section 8.01. Appointment of Registrar. The Registrar for the Series 2018 Bonds shall be appointed pursuant to the Supplemental Resolution. The Issuer is hereby authorized and directed to enter into an agreement with the Registrar, the substantial form of which agreement is to be approved by Supplemental Resolution.

Section 8.02. Responsibilities of Registrar. The recitals of fact in the Bonds shall be taken as statements of the Issuer, and the Registrar shall not be responsible for their accuracy. The Registrar shall not be deemed to make any representation as to, and shall not incur any liability on account of, the validity of the execution of any Series 2018 Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication on the Series 2018 Bonds. The Registrar and any successor thereto shall agree to perform all the duties and responsibilities spelled out in this Ordinance and any other duties and responsibilities incident thereto, all as provided by said agreement described in Section 8.01.

Section 8.03. Evidence on Which Registrar May Act. Except as otherwise provided by Section 10.02, the Registrar shall be protected in acting upon any notice, resolution, request, consent,

order, certificate, opinion or other document believed by it to be genuine and to have been signed or presented by the proper party or parties. Whenever the Registrar shall deem it necessary or desirable that a fact or matter be proved or established prior to taking or suffering any action, such fact or matter, unless other evidence is specifically prescribed, may be deemed to be conclusively proved and established by a certificate of an Authorized Officer of the Issuer, but in its discretion the Registrar may instead accept other evidence of such fact or matter.

Section 8.04. Compensation and Expenses. The Issuer shall pay to the Registrar from time to time reasonable compensation for all services, including the transfer of registration of Series 2018 Bonds, the first exchange of Series 2018 Bonds and the exchange of Series 2018 Bonds in the event of partial redemption, incurred in the performance of its duties hereunder.

Section 8.05. Certain Permitted Acts. The Registrar may become the owner of or may deal in Series 2018 Bonds as fully and with the same rights it would have if it were not Registrar. To the extent permitted by law, the Registrar may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or effect or aid in any reorganization growing out of the enforcement of the Series 2018 Bonds, or this Ordinance, whether or not any such committee shall represent the Holders of a majority in principal amount of the Series 2018 Bonds Outstanding.

Section 8.06. Resignation of Registrar. The Registrar may at any time resign and be discharged of its duties and obligations under this Ordinance by giving not less than 60 days written notice to the Issuer and mailing such notice to each Bondholder, specifying the date when such resignation shall take effect, within 20 days after the giving of such written notice.. Such resignation shall take effect upon the day specified in such notice unless a successor shall have been previously appointed by the Issuer or bondholders, in which event such resignation shall take effect immediately, provided, that in no event shall such resignation take effect until a successor has been appointed and has accepted its duties as Registrar.

Section 8.07. Removal. The Registrar may be removed at any time by the Issuer, the applicable Bond Insurer or by the Holders of a majority in principal amount of the Series 2018 Bonds then Outstanding by an instrument or concurrent instruments in writing signed and duly acknowledged by the Issuer, the applicable Bond Insurer or by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer, as the case may be. Copies of each such instrument shall be delivered by the Issuer to the Registrar. Such removal shall take effect upon the date stated in such instrument, provided, that in no event shall such removal take effect until a successor has been appointed and has accepted its duties as Registrar.

Section 8.08. Appointment of Successor. In case at any time the Registrar shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Registrar or of its property shall be appointed, or if any public officer or court shall take charge or control of the Registrar or of its property or affairs, a successor may be appointed by the Holders of a majority in principal amount of the Series 2018 Bonds then Outstanding by an instrument or concurrent instruments in writing signed by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer and such successor Registrar, notification thereof being given to the predecessor Registrar. Pending such appointment, the Issuer shall forthwith appoint a Registrar to fill such vacancy until a successor Registrar shall be appointed by such Bondholders. The Issuer shall mail to each Bondholder notice of any such appointment within 20 days after the effective

date of such appointment. Any successor Registrar appointed by the Issuer shall, immediately and without further act, be superseded by a Registrar appointed by such Bondholders. If in a proper case no appointment of a successor Registrar shall be made within 45 days after the Registrar shall have given to the Issuer written notice of resignation or after the occurrence of any other event requiring such appointment, the Registrar or any Bondholder may apply to any court of competent jurisdiction to appoint a successor. Any Registrar appointed under the provisions of this section shall be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Ordinance.

Section 8.09. Transfer of Rights and Property to Successor. Any predecessor Registrar or Paying Agent shall pay over, assign and deliver any monies, books and records held by it to its successor.

Section 8.10. Merger or Consolidation. Any company into which the Registrar may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which the Registrar or any public officer or court may sell or transfer all or substantially all of its corporate trust business, shall be the successor to such Registrar without the execution or filing of any paper or the performance of any further act; provided, however, that such company shall be a bank, trust company or national banking association meeting the requirements set forth in Section 8.08.

Section 8.11. Adoption of Authentication. In case any of the Series 2018 Bonds shall have been authenticated but not delivered, any successor Registrar may adopt a Certificate of Authentication and Registration executed by any predecessor Registrar and deliver such Bonds so authenticated, and, in case any Bonds shall have been prepared but not authenticated, any successor Registrar may authenticate such Bonds in the name of the predecessor Registrar or in its own name.

Section 8.12. Paying Agent. The West Virginia Municipal Bond Commission shall initially serve as Paying Agent. Any alternate Paying Agent must be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Ordinance. Such alternate Paying Agent shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the Issuer a written acceptance thereof. Any successor Paying Agent shall take such actions as may be necessary to ensure that the Series 2018 Bonds shall be and remain DTC-Eligible.

Each Paying Agent shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by such Paying Agent in connection with such services solely from monies available therefor.

Any bank, trust company or national banking association with or into which any Paying Agent may be merged or consolidated, or to which the assets and business of such Paying Agent may be sold, shall be deemed the successor of such Paying Agent for the purposes of this Ordinance. If the position of Paying Agent shall become vacant for any reason, the Issuer shall, within 30 days thereafter, appoint a bank, trust company or national banking association located in the same city as such Paying Agent to fill such vacancy; provided, however, that, if the Issuer shall fail to appoint such Paying Agent within said period, the Bond Commission, a court of competent jurisdiction or a majority of the Bondholders may make such appointment.

The Paying Agents shall enjoy the same protective provisions in the performance of their duties hereunder as are specified in this Article VIII with respect to the Registrar, insofar as such provisions may be applicable.

Notice of the appointment of successor or additional Paying Agents or fiscal agents shall be given in the same manner as provided by Section 8.08 hereof with respect to the appointment of a successor Registrar.

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

ARTICLE IX

DEFEASANCE; DISCHARGE OF PLEDGE OF ORDINANCE

Section 9.01. Defeasance; Discharge of Pledge of Ordinance. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 2018 Bonds the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Ordinance, and all other monies due hereunder have been paid, then this Ordinance and the pledges of the Net Revenues and other monies and securities pledged hereunder, and all covenants, agreements and other obligations of the Issuer on behalf of the Holders of the Series 2018 Bonds made hereunder, as applicable, shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with the monies, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on such Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 2018 Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Bond Commission or an escrow trustee either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with the monies, if any, deposited with the Bond Commission or said escrow trustee at the same or earlier time shall be sufficient, to pay when due the principal of, any redemption premium on and interest due and to become due on said Bonds on and prior to the maturity date thereof, or if the Issuer irrevocably determines to redeem any of said Bonds prior to the maturity thereof, on and prior to said Redemption Date. Neither securities nor monies deposited with the Bond Commission or an escrow trustee pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on said Bonds; provided, that any cash received from such principal, redemption premium, if any, and interest payments on such securities deposited with the Bond Commission or said escrow trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of and redemption premium, if any, and interest to become due on said Bonds on and prior to such maturity or Redemption Dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Bond Commission or said escrow trustee, free and clear of any trust, lien or pledge.

ARTICLE X

MISCELLANEOUS

Section 10.01. Amendment of Ordinance. Prior to issuance of the Series 2018 Bonds, this Ordinance may be amended, modified or supplemented in any way by the Supplemental Resolution. All provisions required by the Bond Insurer, if any, shall be set forth in the Supplemental Resolution and to the extent they constitute an amendment or modification of this Ordinance, shall be controlling. Following issuance of the Series 2018 Bonds, this Ordinance and any Supplemental Resolution may, without the consent of any Bondholder or other person, be amended, modified or supplemented in any manner which, in the opinion of Bond Counsel, does not materially adversely affect the interests of the Bondholders or any Bond Insurer; provided, that in the event any of the Bonds are insured, no such amendment or modification which affects the rights of the applicable Bond Insurer for such Bonds may be made without the written consent of such Bond Insurer. Otherwise, no materially adverse amendment or modification to this Ordinance, or of any Supplemental Resolution, may be made without the written consent of the Holders of 60% in aggregate principal amount of the Series 2018 Bonds then Outstanding and affected thereby and the Bond Insurer, if any, which must be filed with the City Clerk of the Issuer before any such modification or amendment may be made. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Bond without the express written consent of the Holder of such Bond, nor reduce the percentage of Series 2018 Bonds required for consent to any such modification or amendment.

Section 10.02. Evidence of Signatures of Bondholders and Ownership of Bonds. Any request, consent, revocation of consent or other instrument which this Ordinance may require or permit to be signed and executed by Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys duly authorized in writing. Proof of the execution of any such instrument, or of an instrument appointing or authorizing any such attorney, shall be sufficient for any purpose of this Ordinance if made in the following manner, or in any other manner satisfactory to the Issuer or the Registrar, as the case may be, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

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

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

C. The amount of fully registered Series 2018 Bonds held by a person executing any instrument as a Bondholder, the date of his holding such Series 2018 Bonds and the numbers and other identification thereof, shall be confirmed by the Bond Register.

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

Section 10.03. Preservation and Inspection of Documents. To the extent allowable under law, all reports, certificates, statements and other documents received by the Registrar under the provisions of this Ordinance shall be retained in its possession and shall be available at all reasonable times for the inspection of the Issuer or any Bondholder, and their agents and their representatives, but any such reports, certificates, statements or other documents may, at the election of the Registrar, be destroyed or otherwise disposed of at any time after such date as the pledge created by this Ordinance shall be discharged as provided in Section 9.01.

Section 10.04. Cancellation of Bonds. All Series 2018 Bonds purchased or paid shall, if surrendered to the Issuer, be canceled and delivered to the Registrar, or, if surrendered to the Registrar, be canceled by it. No such Bonds shall be deemed Outstanding under this Ordinance and no Series 2018 Bonds shall be issued in lieu thereof. All such Bonds shall be canceled and upon order of the Issuer shall be destroyed, and a certificate evidencing such destruction shall be delivered to the Issuer.

Section 10.05. Failure to Present Bonds. Anything in this Ordinance to the contrary notwithstanding, any monies held by the Bond Commission or a Paying Agent in trust for the payment and discharge of any of the Series 2018 Bonds which remain unclaimed for two years after the date on which such Bonds have become due and payable, whether by maturity or upon call for redemption, shall at the written request of the Issuer be paid by the Bond Commission or said Paying Agent to the Issuer as its absolute property and free from trust, and the Bond Commission or said Paying Agent shall thereupon be released and discharged with respect thereto, and the Holders of such Bonds shall look only to the Issuer for the payment of such Bonds; provided, however, that, before making any such payment to the Issuer, the Registrar, if so advised by the Bond Commission, or said Paying Agent shall send to the Holder, at the address listed on the Bond Register, by certified mail, a notice that such monies remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of such notice is mailed, the balance of such monies then unclaimed will be returned to the Issuer.

Section 10.06. Notices, Demands and Requests. Unless otherwise expressly provided, all notices, demands and requests to be given or made hereunder to or by the Issuer, the Registrar, the Depository Bank, the Original Purchaser or the Bond Insurer, if any, shall be in writing and shall be properly made if sent by United States mail, postage prepaid, and addressed as follows or if hand-delivered to the individual to whom such notice, demand or request is required to be directed as indicated below:

ISSUER
City of Salem
229 W. Main Street
Salem, West Virginia 26426
Attention: Mayor

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

PAYING AGENT
West Virginia Municipal Bond Commission
900 Pennsylvania Avenue, Suite 1117
Charleston, West Virginia 25302
Attn: Executive Director

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

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

BOND INSURER
[Name(s) and address(es) to be set forth in the Supplemental Resolution, if any]

Any party listed above may change such address listed for it at any time upon written notice of change sent by United States mail, postage prepaid, to the other parties.

Section 10.07. No Personal Liability. No member of the Council, the Issuer or officer or employee of the Issuer shall be individually or personally liable for the payment of the principal of or the interest on any Bond, but nothing herein contained shall relieve any such member, official or employee from the performance of any official duty provided by law or this Ordinance.

Section 10.08. Law Applicable. The laws of the State shall govern the construction of this Ordinance and of all Series 2018 Bonds issued hereunder.

Section 10.09. Parties Interested Herein. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2018 Bonds, the beneficial owners of the Series 2018 Bonds, the applicable Bond Insurer, if any, and the Original Purchaser, any right, remedy or claim under or by reason of this Ordinance. All the covenants, stipulations, promises and agreements contained in this Ordinance by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2018 Bonds, the Bond Insurer, if any, and the Original Purchaser.

Section 10.10. Reserved

Section 10.11. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Ordinance shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Ordinance.

Section 10.12. Table of Contents and Headlines. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 10.13. Conflicting Provisions Repealed. All ordinances, orders, resolutions or parts thereof in conflict with the provisions of this Ordinance, are, to the extent of such conflict, hereby repealed.

Section 10.14. Procedure on Enactment of Ordinance; Public Hearing. Upon adoption hereof, an abstract of this Ordinance determined by the Governing Body to contain sufficient information as to give notice of the contents hereof shall be published once a week for 2 successive weeks within a period of fourteen consecutive days, with at least 6 full days intervening between each publication, in the *Clarksburg Exponent Telegram*, a newspaper of general circulation in the City of Salem, together with a notice stating that this Ordinance has been adopted and that the Issuer contemplates the issuance of the Series 2018 Bonds, and that any person interested may appear before the Governing Body upon a date certain, not less than ten days subsequent to the date of the first publication of such abstract of this Ordinance and notice, and present protests, and that a certified copy of this Ordinance is on file with the Governing Body for review by interested persons during office hours of the Governing Body. At such hearing, all objections and suggestions shall be heard and the Governing Body shall take such action as it shall deem proper in the premises.

Section 10.15 Effective Date. This Ordinance shall become effective 30 days following public hearing and enactment hereon in accordance with the Act.

First Reading:	June 27, 2017
Second Reading:	July 11, 2017
Effective following Public Hearing held on:	July 25, 2017

CITY OF SALEM

_____

Mayor

CERTIFICATION

Certified a true, correct and complete copy of an Ordinance duly enacted by the City Council of the CITY OF SALEM at a regular meeting of the City Council held on July 25, 2017 as supplemented by Supplemental Parameters Resolution adopted February 13, 2018.

[SEAL]

_____

City Clerk

EXHIBIT A-1 – FORM OF SERIES 2018 A BONDS

[DTC Legend]

No. AR-_____ $_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF SALEM, WEST VIRGINIA
SEWER REFUNDING REVENUE BONDS, SERIES 2018 A (BANK QUALIFIED)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
_____%	_____	_____	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF SALEM (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on _____ 1 and _____ 1, in each year, beginning _____ 1, 20__ (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter-described Ordinance.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying

agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each _____ 15 and _____ 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by _____, _____, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least $1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $_____ designated the "City of Salem Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified)" (the "Series 2018 A Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated _____, 2018, upon original issuance, the proceeds of which are to be used, together with other funds of the Issuer, (i) to currently refund the Issuer's Sewer Revenue Bonds, Series 1995 B, (ii) to fund a reserve account for the Series 2018 A Bonds, and (iii) to pay certain costs of issuance of the Series 2018 A Bonds and related costs. The Series 2018 A Bonds are issued under the authority of and in full compliance with the Constitution and statute of the State of West Virginia, including particularly, Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act"), and an ordinance duly enacted by the City Council of the Issuer on July 25, 2017, and supplemented by a Supplemental Parameters Resolution and Conformed Ordinance adopted by said Council on _____, 2018 (hereinafter collectively referred to as the "Ordinance"), and is subject to all the terms and conditions of said Ordinance. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Series 2018 A Bonds under the Ordinance. Reference is hereby made to the Ordinance, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Series 2018 A Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Ordinance are on file at the office of the City Clerk in the City of Salem, West Virginia.

[The Series 2018 A Bonds are additionally secured, but only to the extent described in the Statement of Insurance printed on the Bonds, by a policy of municipal bond insurance issued by [Bond Insurer].]

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S SEWER REVENUE BONDS, SERIES 2018 B, DATED _____, 2018, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "SERIES 2018 B BONDS").

The Series 2018 A Bonds are subject to redemption prior to their stated maturity dates, as provided in the Ordinance and as set forth in the following lettered paragraphs:

(A) Optional Redemption. The Bonds are subject to optional redemption prior to maturity as follows:

(B) Mandatory Sinking Fund Redemption. The Bonds maturing on _____, 20_____ and 20_____ are subject to annual mandatory sinking fund redemption prior to maturity by random selection as may be determined by the Registrar, on _____ 1 of the years and in the principal amounts set forth below, at the Redemption Price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Bonds Maturing 1, 20

	Year (1)	Principal Amount

Bonds Maturing 1, 20

	Year (1)	Principal Amount

_____
* Final Maturity

In the event of any redemption of less than all outstanding Series 2018 A Bonds, the maturities to be redeemed shall be selected by the Paying Agent at the direction of the Issuer and Series 2018 A Bonds to be redeemed shall be determined by lot within a maturity, or in such other manner deemed appropriate by the Paying Agent. If less than all the Series 2018 A Bonds are to be redeemed, the Series 2018 A Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Series 2018 A Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2018 A Bond or Series 2018 A Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Paying Agent. Such notice shall also be given by the Paying Agent to the Registrar. Notice of redemption having been given as aforesaid, the Series 2018 A Bonds or portions of Series 2018 A Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Series 2018 A Bonds or portions of Series 2018 A Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Series 2018 A Bond.

The Series 2018 A Bonds and the interest thereon are payable only from and are secured by the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System, on a parity in all respects with the pledge of the Net Revenues created in favor of the holders of the Series 2018 B Bonds, all monies in the Series 2018 A Bonds Sinking Fund, and the Series 2018 A Bonds Reserve Account therein, established under the Ordinance, and the unexpended proceeds of the Series 2018 A Bonds, and the Issuer hereby and in the Ordinance pledges such revenues and monies to such payment. Said Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Ordinance. This Series 2018 A Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the monies in the Series 2018 A Bonds Sinking Fund and the Series 2018 A Bonds Reserve Account and said unexpended Series 2018 A Bond proceeds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Series 2018 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2018 A Bonds, including the Series 2018 B Bonds. The Issuer has entered into certain further covenants with the registered owners of the Series 2018 A Bonds, for the terms of which reference is made to the Ordinance. Remedies provided the registered owners of the Series 2018 A Bonds are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest thereon shall be applied solely to pay all costs of the Project, funding a reserve account for the Series 2018 A Bonds and pay costs of issuance of the Bonds, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owners of said Series 2018 A Bonds.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Series 2018 A Bond have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Series 2018 A Bond, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Series 2018 A Bonds of which this Series 2018 A Bond is one.

This Series 2018 A Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the within-described Ordinance.

The Issuer has designated the Series 2018 A Bonds as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code

This Series 2018 A Bond and the income therefrom are, under the Act, exempt from all taxation by the State of West Virginia, or any county, municipality, political subdivision or agency thereof.

This Series 2018 A Bond shall not be entitled to any benefit under the Ordinance, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

All provisions of the Ordinance, and the statutes under which this Series 2018 A Bond is issued shall be deemed to be a part of the contract evidenced by this Series 2018 A Bond to the same extent as if written fully herein.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the CITY OF SALEM (West Virginia) has caused this Bond to be signed by its Mayor and City Clerk, and its corporate seal to be imprinted hereon and attested by its City Clerk, and has caused this Series 2018 A Bond to be dated as of the Series 2018 A Bond date specified above.

[SEAL]

[Manual or facsimile signature]
Mayor

ATTEST:

[Manual or facsimile signature]
City Clerk

CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This Series 2018 A Bond is one of the fully registered Series 2018 A Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Series 2018 A Bonds.

Dated: _____, 2018.

United Bank
As Registrar

By _____
Its Authorized Officer

(FORM OF)
ASSIGNMENT

Social Security or Other Identifying Number of Assignee

_____

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

Dated: _____, 20___.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

EXHIBIT A-2 – FORM OF SERIES 2018 B BONDS

[DTC Legend]

No. BR-_____ $_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF SALEM, WEST VIRGINIA
SEWER REVENUE BONDS, SERIES 2018 B (BANK QUALIFIED)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
_____%	_____	_____	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF SALEM (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on _____ 1 and _____ 1, in each year, beginning _____ 1, 20__ (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter-described Ordinance.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each _____ 15 and _____ 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by _____, _____, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least $1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $_____ designated the "City of Salem Sewer Revenue Bonds, Series 2018 B (Bank Qualified)" (the "Series 2018 B Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated _____, 2018, upon original issuance, the proceeds of which are to be used, together with other funds of the Issuer, (i) to finance the cost of acquisition and construction of certain additions, betterments and improvements to the sewer system of the Issuer, (ii) to fund a reserve account for the Series 2018 B Bonds, and (iii) to pay certain costs of issuance of the Series 2018 Bonds and related costs. The Series 2018 B Bonds are issued under the authority of and in full compliance with the Constitution and statute of the State of West Virginia, including particularly, Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act"), and an ordinance duly enacted by the City Council of the Issuer on July 25, 2017, and supplemented by a Supplemental Parameters Resolution and Conformed Ordinance adopted by said Council on _____, 2018 (hereinafter collectively referred to as the "Ordinance"), and is subject to all the terms and conditions of said Ordinance. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Series 2018 B Bonds under the Ordinance. Reference is hereby made to the Ordinance, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Series 2018 B Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Ordinance are on file at the office of the City Clerk in the City of Salem, West Virginia.

[The Series 2018 B Bonds are additionally secured, but only to the extent described in the Statement of Insurance printed on the Bonds, by a policy of municipal bond insurance issued by [Bond Insurer].]

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S SEWER REFUNDING REVENUE BONDS, SERIES 2018 A, DATED _____, 2018, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "SERIES 2018 A BONDS

The Series 2018 B Bonds are subject to redemption prior to their stated maturity dates, as provided in the Ordinance and as set forth in the following lettered paragraphs:

(A) Optional Redemption. The Bonds are subject to optional redemption prior to maturity as follows:

(B) Mandatory Sinking Fund Redemption. The Bonds maturing on _____, 20_____ and 20_____ are subject to annual mandatory sinking fund redemption prior to maturity by random selection as may be determined by the Registrar, on _____ 1 of the years and in the principal amounts set forth below, at the Redemption Price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Bonds Maturing 1, 20

Year (1)	Principal Amount

Bonds Maturing 1, 20

Year (1)	Principal Amount

_____
* Final Maturity

In the event of any redemption of less than all outstanding Series 2018 B Bonds, the maturities to be redeemed shall be selected by the Paying Agent at the direction of the Issuer and Series 2018 B Bonds to be redeemed shall be determined by lot within a maturity, or in such other manner deemed appropriate by the Paying Agent. If less than all the Series 2018 B Bonds are to be redeemed, the Series 2018 B Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Series 2018 B Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2018 B Bond or Series 2018 B Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Paying Agent. Such notice shall also be given by the Paying Agent to the Registrar. Notice of redemption having been given as aforesaid, the Series 2018 B Bonds or portions of Series 2018 B Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Series 2018 B Bonds or portions of Series 2018 B Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Series 2018 B Bond.

The Series 2018 B Bonds and the interest thereon are payable only from and are secured by the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System, on a parity in all respects with the pledge of the Net Revenues created in favor of the holders of the series 2018 A Bonds, all monies in the Series 2018 B Bonds Sinking Fund, and the Series 2018 B Bonds Reserve Account therein, established under the Ordinance, and the unexpended proceeds of the Series 2018 B Bonds, and the Issuer hereby and in the Ordinance pledges such revenues and monies to such payment. Said Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Ordinance. This Series 2018 B Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the monies in the Series 2018 B Bonds Sinking Fund and the Series 2018 B Bonds Reserve Account and said unexpended Series 2018 B Bond proceeds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Series 2018 B Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2018 B Bonds, including the Series 2018 A Bonds. The Issuer has entered into certain further covenants with the registered owners of the Series 2018 B Bonds, for the terms of which reference is made to the Ordinance. Remedies provided the registered owners of the Series 2018 B Bonds are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest thereon shall be applied solely to pay all costs of the Project, funding a reserve account for the Series 2018 B Bonds and pay costs of issuance of the Bonds, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owners of said Series 2018 B Bonds.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Series 2018 B Bond have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Series 2018 B Bond, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Series 2018 B Bonds of which this Series 2018 B Bond is one.

This Series 2018 B Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the within-described Ordinance.

The Issuer has designated the Series 2018 B Bonds as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code

This Series 2018 B Bond and the income therefrom are, under the Act, exempt from all taxation by the State of West Virginia, or any county, municipality, political subdivision or agency thereof.

This Series 2018 B Bond shall not be entitled to any benefit under the Ordinance, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

All provisions of the Ordinance, and the statutes under which this Series 2018 B Bond is issued shall be deemed to be a part of the contract evidenced by this Series 2018 B Bond to the same extent as if written fully herein.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the CITY OF SALEM (West Virginia) has caused this Bond to be signed by its Mayor and City Clerk, and its corporate seal to be imprinted hereon and attested by its City Clerk, and has caused this Series 2018 B Bond to be dated as of the Series 2018 B Bond date specified above.

[SEAL]

[Manual or facsimile signature]
Mayor

ATTEST:

[Manual or facsimile signature]
City Clerk

CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This Series 2018 B Bond is one of the fully registered Series 2018 B Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Series 2018 B Bonds.

Dated: _____, 2018.

United Bank
As Registrar

By _____
Its Authorized Officer

(FORM OF)
ASSIGNMENT

Social Security or Other Identifying Number of Assignee

_____

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

Dated: _____, 20___.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

SUPPLEMENTAL PARAMETERS RESOLUTION

SUPPLEMENTAL RESOLUTION AUTHORIZING AND APPROVING CERTAIN PARAMETERS AS TO DATES, AMOUNTS, MATURITIES, INTEREST RATES, REDEMPTION PROVISIONS, PURCHASE PRICE AND OTHER DETAILS AS TO THE SEWER REFUNDING REVENUE BONDS, SERIES 2018 A (BANK QUALIFIED) AND SEWER REVENUE BONDS, SERIES 2018 B (BANK QUALIFIED) OF THE CITY OF SALEM; AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF SUCH BONDS TO THE ORIGINAL PURCHASER; AUTHORIZING AND APPROVING A TAX COMPLIANCE POLICY, A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT, A REGISTRAR AGREEMENT, A PRELIMINARY OFFICIAL STATEMENT; AN OFFICIAL STATEMENT, A CERTIFICATE OF DETERMINATIONS AND OTHER INSTRUMENTS RELATING TO THE BONDS; APPOINTING A REGISTRAR; PAYING AGENT AND DEPOSITORY BANK FOR SUCH BONDS; APPROVING A CONFORMED ORDINANCE; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the City Council (the "Governing Body") of the City of Salem (the "Issuer" or "Governmental Agency") has duly and officially adopted and enacted a bond ordinance on July 25, 2017 effective August 25, 2017 (the "Bond Ordinance"), entitled:

AN ORDINANCE AUTHORIZING THE REFUNDING OF THE ISSUER'S OUTSTANDING SEWER REVENUE BONDS, SERIES 1995 B AND THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING SEWER SYSTEM OF THE CITY OF SALEM AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $1,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REFUNDING REVENUE BONDS, SERIES 2017 A (TAX EXEMPT); AND NOT MORE THAN $2,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2017 B (TAX EXEMPT); PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE BONDS; AND ENACTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

WHEREAS, capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Conformed Bond Ordinance attached as Exhibit A when used herein;

WHEREAS, the Issuer desires to amend the Bond Ordinance though this Supplemental Parameters Resolution and Conformed Ordinance (collectively, the "Bond Legislation")

WHEREAS, the Sewer Refunding Revenue Bonds, Series 2017 A and Sewer Revenue Bonds, Series 2017 B were not issued in 2017, but will be issued in 2018;

WHEREAS, the Governing Body desires to re-designate the Sewer Refunding Revenue Bonds, Series 2017 A and Sewer Revenue Bonds, Series 2017 B as Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified) and Sewer Revenue Bonds, Series 2018 B (Bank Qualified) respectively;

WHEREAS, the Bond Legislation provides for the issuance by the Issuer of its Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified), in the aggregate principal amount of not more than $1,500,000, for the purposes of (i) refunding the Series 1995 B Bonds; (ii) funding the Series 2018 A Bonds Reserve Account; and (iii) paying costs of issuance of the Series 2018 A Bonds, and Sewer Revenue Bonds, Series 2018 B (Bank Qualified), in the aggregate principal amount of not more than $2,500,000 for the purposes of (i) paying the costs of acquisition and construction of additions, betterments and improvements to the System; (ii) funding the Series 2018 B Bonds Reserve Account; and (iii) paying costs of issuance thereof, all in accordance with Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, the Ordinance further provided that the exact dates, amounts, maturities, interest rates, redemption provisions, purchase price and other terms of the Series 2018 Bonds should be established by supplemental resolution or by a Certificate of Determinations, that a Registrar, Paying Agent and Depository Bank be designated, that a Bond Purchase Agreement, a Continuing Disclosure Agreement, a Registrar Agreement and an Official Statement be approved and that other matters pertaining to the Series 2018 Bonds be provided for by a supplemental resolution of the Governing Body or pursuant to a Certificate of Determinations, and that additional covenants and provisions relating to the Series 2018 Bonds be provided therein be provided for by a supplemental resolution of this Governing Body or by Certificate of Determinations;

WHEREAS, the Series 2018 Bonds are proposed to be purchased by Crews & Associates, Inc. (the "Original Purchaser"), pursuant to a Bond Purchase Agreement between the Original Purchaser and the Issuer, to be dated the date of execution thereof (the "Bond Purchase Agreement");

WHEREAS, the Governing Body wishes to delegate to the Mayor the authority to approve, within the parameters set forth herein and in the Ordinance, the final terms of the Series 2018 Bonds and all provisions of all documents relating to the Series 2018 Bonds (the "Bond Documents"), without the requirement of further official action by this Governing Body; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental parameters resolution (the "Supplemental Parameters Resolution") be adopted, that the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Tax Certificate, and the Registrar Agreement hereinafter provided for be entered into by the Issuer, that the Preliminary Official Statement and Official Statement relating to the Series 2018 Bonds, hereinafter described, be approved, that the Mayor be

authorized to execute the Certificate of Determinations and enter into the Bond Purchase Agreement, all within the parameters hereby approved by the Governing Body, and that other matters relating to the Series 2018 Bonds be herein provided for, all in accordance with the Ordinance.

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

Section 1. Pursuant to the Ordinance and the Act, this Supplemental Parameters Resolution is adopted and there are hereby authorized and ordered to be issued the Series 2018 Bonds. The Series 2018 Bonds shall be issued in the aggregate principal amount not to exceed $4,000,000, bear interest at an interest rate not to exceed 6.0% payable semiannually, shall mature in not more than 30 years from the date of issue, shall be dated such date, upon original issuance, shall mature in such principal amounts on such dates, and shall be subject to such redemption provisions, all as shall subsequently be approved by the Mayor pursuant to the execution and delivery by the Mayor of a Certificate of Determinations with respect to the Series 2018 Bonds, dated the date of the Bond Purchase Agreement, the form of which is attached hereto as EXHIBIT B and approved hereby (the "Certificate of Determinations"), and shall be substantially in the form set forth in the Ordinance, provided however, that the specific terms of the Series 2018 Bonds shall be as determined by the Mayor at the time of the execution of the Bond Purchase Agreement and as approved by the Mayor in the Certificate of Determinations.

Section 3. The Bond Purchase Agreement by and between the Original Purchaser and the Issuer, substantially in the form to be approved pursuant to the execution and delivery by the Mayor of the Certificate of Determinations, and the execution and delivery (in multiple counterparts) by the Mayor thereof shall be and the same are hereby authorized, approved, and directed. The Mayor shall execute the Bond Purchase Agreement on behalf of the Issuer with such changes, insertions and omissions as may be approved by the Mayor. The execution of the Bond Purchase Agreement by the Mayor shall be conclusive evidence of any approval required by this Section, and authorization of any action required by the Bond Purchase Agreement relating to the issuance and sale of the Series 2018 Bonds, including the payment of all necessary fees and expenses in connection therewith.

Section 4. A. The Tax Certificate, to be dated the date of execution and delivery of the Bonds (the "Tax Certificate"), and executed and delivered by the Issuer, substantially in the form to be approved pursuant to the execution and delivery by the Mayor of the Certificate of Determinations, and the execution and delivery (in multiple counterparts) by the Mayor thereof shall be and the same are hereby authorized, approved and directed. The Mayor shall execute and deliver the Tax Certificate with such changes, insertions and omissions as may be approved by the Mayor. The execution of the Tax Certificate by the Mayor shall be conclusive evidence of any approval required by this Section.

B. The Issuer hereby approves the Tax Compliance policy attached hereto as EXHIBIT C.

Section 5. A. The Continuing Disclosure Agreement, to be dated the date of execution and delivery of the Series 2018 Bonds (the "Disclosure Agreement"), by and between the Issuer and the Dissemination Agent named therein, substantially in the form to be approved pursuant to the execution and delivery by the Mayor of the Certificate of Determinations, and the execution and delivery

(in multiple counterparts) by the Mayor thereof shall be and the same are hereby authorized, approved and directed. The Mayor shall execute and deliver the Disclosure Agreement with such changes, insertions and omissions as may be approved by the Mayor. The execution of the Disclosure Agreement by the Mayor shall be conclusive evidence of any approval required by this Section.

B. The Issuer hereby approves the Continuing Disclosure Policy attached hereto as EXHIBIT D.

Section 6. The distribution by the Original Purchaser of a Preliminary Official Statement (which is a "deemed final" official statement in accordance with SEC Rule 15c2-12), substantially in the form submitted to this meeting is hereby ratified and approved. The certificate of the Issuer relating to compliance with SEC Rule 15c2-12 and the execution and delivery thereof by the Mayor is hereby approved. The Official Statement to be substantially in the form of the Preliminary Official Statement, (with such changes, insertions and omissions as may be necessary or advisable in the opinion of the Mayor) and the distribution of counterparts or copies thereof by the Original Purchaser are hereby approved. The Mayor shall execute and deliver the Official Statement with such changes, insertions and omissions as may be approved. The execution of the Official Statement by the Mayor shall be conclusive evidence of any approval required by this Section.

Section 7. The Registrar Agreement by and between the Issuer and the Registrar designated herein, substantially in the form to be approved pursuant to the execution and delivery by the Mayor of the Certificate of Determinations, and the execution and delivery (in multiple counterparts) by the Mayor thereof shall be and the same are hereby authorized, approved and directed. The Mayor shall execute and deliver the Registrar Agreement with such changes, insertions and omissions as may be approved by the Mayor. The execution of the Registrar Agreement by the Mayor shall be conclusive evidence of any approval required by this Section.

Section 8. The firm of Steptoe & Johnson PLLC, Charleston, West Virginia, is hereby appointed bond counsel to the Issuer in connection with the issuance of the Series 2018 Bonds.

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

Section 10. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission for the purpose of serving in the capacity of Paying Agent.

Section 11. The notice addresses for the Registrar, Paying Agent and Original Purchaser shall be as follows:

REGISTRAR
United Bank
500 Virginia Street, East
Charleston, West Virginia 25301
Attention: Corporate Trust Department

PAYING AGENT
West Virginia Municipal Bond Commission
900 Pennsylvania Avenue, Suite 117
Charleston, West Virginia 25302
Attention: Executive Director

ORIGINAL PURCHASER
Crews & Associates, Inc.
69 Clay Street, Suite 202
Morgantown, West Virginia 26501

Section 14. The Mayor and City Clerk are hereby authorized and directed to execute and deliver such other documents and certificates, including a tax certificate, required or desirable in connection with the Series 2018 Bonds issue to the end that the Series 2018 Bonds may be delivered as provided in the Bond Purchase Agreement.

Section 15. The refunding of the Series 1995 B Bonds and the financing of the project with proceeds of the Series 2018 Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 16. The Mayor and City Clerk, and all other appropriate officers and employees of the Issuer are hereby authorized, empowered and directed to do any and all things proper and necessary to cause the Series 2018 Bonds to be duly and properly issued by the Issuer and delivered to the Original Purchaser as herein authorized and to otherwise facilitate the transaction contemplated by this Supplemental Parameters Resolution, and no further authority shall be necessary to authorize any such officers or employees to give such further assurance and do such further acts as may be legally required.

[Remainder of Page Intentionally Blank]

Section 17. This Supplemental Parameters Resolution shall be effective immediately following adoption hereof.

Adopted this 13th day of February, 2018.

CITY OF SALEM

By: _____
Its: Mayor

CERTIFICATION

Certified a true, correct and complete copy of a Supplemental Resolution duly adopted by the Council of the CITY OF SALEM on the 13th day of February, 2018.

[SEAL]

_____

City Clerk

EXHIBIT A

CONFORMED BOND ORDINANCE

[SEE TAB 1 OF BOND TRANSCRIPT]

EXHIBIT B

FORM OF CERTIFICATE OF DETERMINATIONS

City of Salem
Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified); and
Sewer Revenue Bonds, Series 2018 B (Bank Qualified)

CERTIFICATE OF DETERMINATIONS

The undersigned, James Robert Samples, Mayor of the City of Salem (the "Issuer"), in accordance with the Supplemental Parameters Resolution adopted by the Council of the Issuer on _____, 2018 (the "Supplemental Parameters Resolution"), with respect to the Issuer's Sewer Refunding Revenue Bonds, Series 2018 A and Sewer Revenue Bonds, Series 2018 B (collectively, the "Series 2018 Bonds"), hereby finds and determines this _____ day of _____, 2018 as follows:

1. The Series 2018 Bonds shall be dated the date of closing thereon (estimated to be _____ _____, 2018) and shall bear interest on _____ and _____ of each year commencing _____, 2018.

2. The Series 2018 Bonds shall be issued in the aggregate principal amount of $_____, at a true interest cost of ___%. Such interest rates do not exceed _____%, being the maximum interest rate authorized by the Supplemental Parameters Resolution.

3. The Series 2018 Bonds shall mature in the amounts and on the dates and shall be subject to mandatory sinking fund redemption in the amounts and on the dates set forth on Schedule 1 attached hereto and incorporated herein.

4. A. The Series 2018 A Bonds shall bear interest at the rates and produce the yields set forth on Schedule 1-A attached hereto and incorporated herein.

B. The Series 2018 B Bonds shall bear interest at the rates and produce the yields set forth on Schedule 1-B attached hereto and incorporated herein

5. The Series 2018 Bonds shall [not] be subject to [optional and/or mandatory] redemption [as set forth on Schedule 2 attached hereto and incorporated herein.]

6. The Series 2018 Bonds shall be sold to Crews & Associates, Inc. (the "Underwriter"), pursuant to the terms of the Bond Purchase Agreement by and between the Underwriter and the Issuer, at an aggregate purchase price of $_____ (representing par value less an Underwriter's discount of $_____ and a net original issue discount of $_____).

7. The forms of the Bond Purchase Agreement, the Tax Certificate, the Continuing Disclosure Agreement, the Registrar Agreement, the Rule 15c2-12 Certificate and Official Statement attached hereto are hereby approved.

The undersigned hereby certifies that the foregoing terms and conditions of the Series 2018 Bonds are within the parameters prescribed by the Supplemental Parameters Resolution, and the Series 2018 Bonds may be issued with such terms and conditions as authorized by the Supplemental Parameters Resolution.

WITNESS our signatures the day and year first written above.

CITY OF SALEM

By: _____
Its: Mayor

Schedule 1-A

SERIES 2018 A BOND TERMS

Mandatory Sinking Fund Redemption and Maturity

Bond No.	Maturity Date or Sinking Fund (_____1)	Principal Amount	Interest Rate	Price or Yield	CUSIP No.
AR-1	_____1	$_____	_____%	_____%	_____

Schedule 1-B

SERIES 2018 A BOND TERMS

Mandatory Sinking Fund Redemption and Maturity

Bond No.	Maturity Date or Sinking Fund (_____1)	Principal Amount	Interest Rate	Price or Yield	CUSIP No.
BR-1	_____1	$_____	_____%	_____%	_____

Schedule 2

Redemption Provisions:

Series 2018 Bonds

[to be inserted after pricing]

EXHIBIT C

CITY OF SALEM (WEST VIRGINIA)

TAX COMPLIANCE POLICIES

Purpose

Governmental issuers of tax-exempt and tax-credit bonds must comply with certain federal tax rules pertaining to expenditure of proceeds for qualified costs, rate of expenditure, use of bond financed property, investment of proceeds in compliance with arbitrage rules, and retention of records. The following policies are intended to establish compliance by the City of Salem, West Virginia (the *"Issuer"*), as the issuer, with these rules in connection with the issuance of the Issuer's Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified) and Sewer Revenue Bonds, Series 2018 B (Bank Qualified) (collectively, the "*Tax-Exempt Bonds*"). It is understood and agreed by the Issuer, and the Issuer has covenanted to take all actions necessary to maintain the Tax-Exempt Bonds as tax-exempt state and local bonds.

Tax Requirements Associated with Sale and Issuance of Bonds

Review and retention of tax documents related to the sale and issuance of Bonds will be supervised by the City Manager or his designee (the "*Oversight Officer*").

- Form 8038-G (tax exempt bonds) will be reviewed and filed not later than the 15th day of the 2nd calendar month following the quarter in which the bonds were issued. Filing of appropriate version or versions of Form 8038-G will be confirmed with bond counsel.

Expenditure of Proceeds for Governmental Costs

Expenditure of bond proceeds will be reviewed by the Oversight Officer.

- Bond proceeds will be disbursed pursuant to the Bond Ordinance, and will be a written order of an Authorized Officer, stating the date, amount and purpose of the disbursement.

- Requisitions must identify the financed property in conformity with the Tax and Non-Arbitrage Certificate executed by the Issuer at closing, including any certifications as to the character and average economic life of the bond-financed property.

- Requisitions for costs that were paid prior to the issuance of the bonds are, in general, limited to costs paid subsequent to, or not more than 60 days prior to, the date a "declaration of intent" to reimburse the costs was adopted by the City. If proceeds are used for reimbursement, a copy of the declaration will be obtained and included in the records for the Tax-Exempt Bonds, if not already part of the bond transcript.

- Requisitions will be in accordance with expectations to spend or commit 5% of net sale proceeds within 6 months, to spend 85% of net sale proceeds within 3 years, and to proceed with due diligence to complete the project and fully spend the net sale proceeds. Expected expenditure schedules, project timelines, and plans and specifications will be maintained to support expectations. Reasons for failure to meet the expected schedule will be documented and retained in the records for the Tax-Exempt Bonds.

- If the 18-month spending exception to rebate applies, expenditure of gross proceeds will be monitored against the following schedule for the arbitrage rebate exception for the issue, if applicable:

  15% within 6 months
  60% within 12 months
  100% within 18 months

- If the 2-year spending exception to rebate applies, expenditure of "available construction proceeds" will be monitored against the following schedule for the arbitrage rebate exception for construction issues if applicable:

  10% within 6 months
  45% within 12 months
  75% within 18 months
  100% within 24 months

Expenditure of Proceeds

In addition to the general review of expenditures described above, expenditure of proceeds of the Tax-Exempt Bonds will be reviewed by the Oversight Officer.

- Reserve funds cannot exceed the least of 10% of bond proceeds, maximum annual debt service, or 125% of average annual debt service. The initial funding of any reserve fund will be measured against this limit.

- Only a small portion (5%) of the proceeds of Tax-Exempt Bonds can be used for operating expenses or other "working capital" costs. Requisitions for costs of the

Project will accordingly be monitored to confirm that they are for capital costs of the Project.

- Investment earnings on sale proceeds of the Tax-Exempt Bonds will be tracked and will be requisitioned only for appropriate expenditures.

Use of Bond-Financed Property

Use of bond-financed property when completed and placed in service will be reviewed by the Oversight Officer.

- Average nonexempt use of bond-financed property over the life of the issue cannot exceed 10% of the proceeds.

- Agreements with business users or non-profit organizations for lease or management or services contracts, sponsored research, naming rights or any other potential nonexempt use of bond-financed property will be reviewed prior to execution of any contract to determine if property subject to the Bond Ordinance is bond-financed.

- Agreements with business users or other non-profit organizations for lease or management or services contracts or other private business use involving bond-financed property will be tracked and aggregated with other private business uses for compliance with the 10% limit, as set forth in the Tax and Non-Arbitrage Certificate.

- No item of bond-financed property will be sold or transferred to a nonexempt party without advance arrangement of a "remedial action" under the applicable Income Tax Regulations.

Investments and IRS Filings

Investment of bond proceeds in compliance with the arbitrage bond rules and rebate of arbitrage will be supervised by the Oversight Officer.

- Guaranteed investment contracts ("*GIC*") will be purchased only using the three-bid "safe harbor" of applicable Income Tax Regulations, in compliance with fee limitations on GIC brokers in the Income Tax Regulations.

- Other investments will be purchased only in market transactions.

- Calculations of rebate liability will be performed annually by outside consultants.

- Rebate payments will be made with Form 8038-T no later than 60 days after (a) each fifth anniversary of the date of issuance and (b) the final retirement of the issue. Compliance with rebate requirements will be reported to the bond trustee and the issuer.

- Identify date for first rebate payment at time of issuance. Enter in records for the issue.

Records

Management and retention of records related to tax-exempt bond issues will be supervised by the Oversight Officer.

- Records will be retained for the life of the bonds plus any refunding bonds plus three years. Records may be in the form of documents or electronic copies of documents, appropriately indexed to specific bond issues and compliance functions.

- Retainable records pertaining to the Tax-Exempt Bonds include transcript of documents executed in connection with the issuance of the bonds (including authorizing resolutions, Bond Ordinance, Form 8038-G, and Tax and Non-Arbitrage Certificate) and any amendments, and copies of rebate calculations and records of payments, including Forms 8038-T.

- Retainable records pertaining to expenditures of bond proceeds include requisitions, accounting statements and final allocation of proceeds.

- Retainable records pertaining to use of property include all agreements reviewed for nonexempt use and any reviewed documents relating to unrelated business activity.

- Retainable records pertaining to investments include GIC documents under the Income Tax Regulations, records of purchase and sale of other investments, and records of investment activity sufficient to permit calculation of arbitrage rebate or demonstration that no rebate is due.

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Overall Responsibility

Overall administration and coordination of this policy is the responsibility of the Oversight Officer.

CITY OF SALEM

_____

By: Mayor

EXHIBIT D

CONTINUING DISCLOSURE AGREEMENT

[SEE TAB ___ OF BOND TRANSCRIPT]

APPENDIX G

RATE TARIFF

[The remainder of this page is intentionally blank; the Rate Tariff begins on the next page.]

NEW ISSUE - BOOK-ENTRY ONLY **NON-RATED**

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, interest on the Series 2018 Bonds (including any original issue discount properly allocable to the owner thereof) is excludable from gross income of the holders thereof for federal income tax purposes, and interest on the Series 2018 Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations although Bond Counsel observes that it is included in the adjusted current earnings in calculating corporate alternative minimum taxed revenue for taxable years that begin prior to January 1, 2018. However, interest paid to corporate holders of the Series 2018 Bonds may be indirectly subject to alternative minimum tax under certain circumstances. The Issuer has designated the Series 2018 Bonds as "Qualified Tax-Exempt Obligations" for purposes of paragraph (3) of Section 265(b) of the Internal Revenue Code of 1986, as amended. Further, in the opinion of Bond Counsel, under existing laws of the State of West Virginia, the Series 2018 Bonds, and the interest thereon, are exempt from all taxation by the State of West Virginia or any county, municipality, political subdivision or agency thereof. See "TAX MATTERS" herein.

$1,310,000
CITY OF SALEM, WEST VIRGINIA
SEWER REFUNDING REVENUE BONDS,
SERIES 2018 A (BANK QUALIFIED)

$2,255,000
CITY OF SALEM, WEST VIRGINIA
SEWER REVENUE BONDS,
SERIES 2018 B (BANK QUALIFIED)

Dated: Date of Delivery **Due:** As shown on inside front cover

The City of Salem, West Virginia, Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified) (the "Series 2018 A Bonds") and Sewer Revenue Bonds, Series 2018 B (Bank Qualified) (the "Series 2018 B Bonds" and, together with the Series 2018 A Bonds, the "Series 2018 Bonds") are issued in fully registered form in the denomination of $5,000 principal amount or any integral multiple thereof. Purchasers of the Series 2018 Bonds will not receive certificates representing their interests in the Series 2018 Bonds purchased. The Series 2018 Bonds will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York.

Interest on the Series 2018 Bonds is payable on each June 1 and December l, commencing December 1, 2018 (each, a "Payment Date"), with payments of principal on each December 1. Principal and interest on the Series 2018 Bonds is payable by the West Virginia Municipal Bond Commission, as paying agent (the "Paying Agent") to Cede & Co. United Bank, Charleston, West Virginia will serve as the registrar (the "Registrar").

The Series 2018 A Bonds are being issued by the City of Salem, West Virginia (the "Issuer" or the "City"), together with other funds available therefor, to: (i) provide funds to currently refund the Issuer's Sewer Revenue Bonds, Series 1995 B (the "Refunded Bonds"); (ii) fund the debt service reserve account for the Series 2018 A Bonds in an amount equal to the Series 2018 A Bonds Reserve Account Requirement; and (iii) pay costs of issuance of the Series 2018 A Bonds and related costs. The Series 2018 B Bonds are being issued by the Issuer, together with other funds available therefor, to: (i) provide funds to design, acquire, construct and equip certain additions, betterments and improvements to the Issuer's existing public sewerage system (the "Project," as hereinafter described); (ii) fund the debt service reserve account for the Series 2018 B Bonds in an amount equal to the Series 2018 B Bonds Reserve Account Requirement; and (iii) pay costs of issuance of the Series 2018 B Bonds and related costs.

The Series 2018 Bonds are payable solely from and secured by the Net Revenues derived from the existing public sanitary sewerage system of the Issuer and any extensions, improvements and betterments thereto, specifically including, but not limited to, the "Project" on parity with one another and any additional parity bonds that may hereafter be issued by the Issuer as permitted by the Ordinance (as hereinafter defined), and from funds on deposit in the sinking funds and reserve accounts established for the Series 2018 A Bonds and Series 2018 B Bonds, respectively, under the Ordinance, all as more fully described herein.

The Series 2018 Bonds are subject to redemption prior to maturity as set forth herein. See "THE SERIES 2018 BONDS-REDEMPTION" herein.

The Issuer has designated the Series 2018 A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

The Series 2018 Bonds do not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, and the Issuer shall not be obligated to pay the Series 2018 Bonds or the interest thereon except from the above-referenced Net Revenues and funds. Neither the credit nor the taxing power of the Issuer shall be deemed to be pledged to, nor shall tax ever be levied for, the payment of the principal or redemption price of or interest on the Series 2018 Bonds.

This cover page contains only a brief description of the Issuer, the Series 2018 Bonds and the security therefor. It is not intended to be a summary of material information with respect to the Series 2018 Bonds. Investors should read the entire Official Statement, including the section titled "INVESTMENT CONSIDERATIONS," to obtain information necessary to make an informed investment decision.

The Series 2018 Bonds are offered for delivery when, as and if issued and received by the Underwriter, subject to prior sale and to withdrawal or modification of the offering, without notice, and to the unqualified approval of legality by Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel, and the approval of certain matters by Bowles Rice LLP, Charleston, West Virginia, Counsel to the Underwriter. Certain legal matters will be passed upon for the Issuer by Harrold & Kramer, PLLC doing business as Mountain State Law, Clarksburg, West Virginia. It is expected that the Series 2018 Bonds will be available for delivery through The Depository Trust Company on or about March 28, 2018.

Dated: March 8, 2018

Crews&Associates
Member First Security Bancorp

CITY OF SALEM, WEST VIRGINIA
SERIES 2018 BONDS

consisting of:

$1,310,000
CITY OF SALEM, WEST VIRGINIA
Sewer Refunding Revenue Bonds
Series 2018 A (Bank Qualified)

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND PRICES

TERM BONDS

Maturity (December 1)	Principal	Coupon	Yield	Price	CUSIP*
2032	$1,310,000	4.000%	3.050%	104.912% [c]	794641 BW9

$2,255,000
CITY OF SALEM, WEST VIRGINIA
Sewer Revenue Bonds
Series 2018 B (Bank Qualified)

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND PRICES

TERM BONDS

Maturity (December 1)	Principal	Coupon	Yield	Price	CUSIP*
2021	$305,000	3.000%	3.000%	100.000%	794641 BX7
2025	$390,000	3.250%	3.350%	99.325%	794641 BY5
2028	$330,000	3.500%	3.650%	98.680%	794641 BZ2
2032	$490,000	4.000%	4.000%	100.000%	794641 CA6
2037	$740,000	4.000%	4.150%	97.991%	794641 CB4

[c] Priced to first optional redemption date of December 1, 2023

*CUSIP data on the inside cover page is provided by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. The CUSIP numbers on the inside cover page hereof are being provided solely for the convenience of the Holders of the Series 2018 Bonds only at the time of issuance of the Series 2018 Bonds, and none of the Issuer, the Sanitary Board (as hereinafter defined) or the Underwriter make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2018 Bonds.

CITY OF SALEM, WEST VIRGINIA

MAYOR
James Robert Samples

COUNCIL MEMBERS
Isaac Samples
John Golden
John Sinnett
Judith Davisson
Shawnette Stout
Nancy Siders

SANITARY BOARD
Chairman and City Manager: Ronnie Davis
Member: Blair Nutter
Member: John Lowe

Operator: Gary White
Engineer: Jeff Petry

CITY MANAGER
Ronnie Davis

CITY CLERK
Kayla Nicholas

BOND COUNSEL
Steptoe & Johnson PLLC
Charleston, West Virginia

COUNSEL TO THE CITY OF SALEM
Harrold & Kramer, PLLC doing business as Mountain State Law
Clarksburg, West Virginia

UNDERWRITER
Crews & Associates, Inc.
Morgantown, West Virginia
Little Rock, Arkansas

UNDERWRITER'S COUNSEL
Bowles Rice LLP
Charleston, West Virginia

REGISTRAR
United Bank
Charleston, West Virginia

PAYING AGENT
West Virginia Municipal Bond Commission
Charleston, West Virginia

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Series 2018 Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by the Issuer, the Sanitary Board or the Underwriter to give any information or to make any representations, other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information set forth herein has been obtained from the Issuer, the Sanitary Board and other sources, which are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and any expression of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer, the Sanitary Board or the System since the date hereof. This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or used, in whole or in part, for any other purposes.

The information contained in this Official Statement has been obtained from the Issuer, the Sanitary Board and other sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a promise by, any of the foregoing. The presentation of such information is intended to show recent historic information and is not intended to indicate future or continuing trends. No representation is made that the past experience, as shown by such financial and other information, will necessarily continue or be repeated in the future. This Official Statement contains, in part, estimates and matters of opinion, whether or not expressly stated to be such, which are not intended as statements or representations of fact or certainty, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, the Sanitary Board or the System.

The Series 2018 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 Net Revenues of the System, on parity with one another and any hereinafter issued additional Parity Bonds and with respect to the Series 2018 A Bonds only, from the funds on deposit in the Series 2018 A Bonds Sinking Fund and the Series 2018 A Bonds Reserve Account therein and the unexpended proceeds of the Series 2018 A Bonds, and with respect to the Series 2018 B Bonds only, from the funds on deposit in the Series 2018 B Bonds Sinking Fund and the Series 2018 B Bonds Reserve Account therein and the unexpended proceeds of the Series 2018 B Bonds, all as herein provided. No Holder or Holders of the Series 2018 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2018 Bonds or the interest thereon.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimated," "forecasted," "intended," "expected," "anticipated," "projected," "assumed" and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. For a discussion of certain of such risks and possible variations in results, see the information under "INVESTMENT CONSIDERATIONS."

YOU SHOULD MAKE YOUR OWN DECISION WHETHER THIS OFFERING MEETS YOUR INVESTMENT OBJECTIVES AND RISK TOLERANCE LEVEL. NO FEDERAL OR STATE SECURITIES COMMISSION HAS APPROVED, DISAPPROVED, ENDORSED OR RECOMMENDED THIS OFFERING. NO INDEPENDENT PERSON HAS CONFIRMED THE ACCURACY OR TRUTHFULNESS OF THIS DISCLOSURE OR WHETHER IT IS COMPLETE. THE WEST VIRGINIA SECURITIES COMMISSION HAS NOT REVIEWED THE DISCLOSURE CONTAINED HEREIN, AND THE ISSUER IS RELYING ON AN EXEMPTION FROM REGISTRATION BY QUALIFICATION UNDER THE WEST VIRGINIA SECURITIES ACT. IMPORTANT RISK FACTORS ARE EXPLAINED HEREIN UNDER "INVESTMENT CONSIDERATIONS."

The following sentence has been provided by the Underwriter for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The Ordinance has not been qualified under the Trust Indenture Act of 1939, as amended because of available exemptions therefrom.

The Series 2018 Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency has determined or confirmed the accuracy of this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2018 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT
relating to

CITY OF SALEM, WEST VIRGINIA
SERIES 2018 BONDS

consisting of:

$1,310,000
CITY OF SALEM, WEST VIRGINIA
SEWER REFUNDING REVENUE BONDS,
SERIES 2018 A (BANK QUALIFIED)

$2,255,000
CITY OF SALEM, WEST VIRGINIA
SEWER REVENUE BONDS,
SERIES 2018 B (BANK QUALIFIED)

INTRODUCTION

This Official Statement, including the cover page and the Appendices hereto, is provided to set forth certain information concerning the issuance by the City of Salem, a West Virginia municipal corporation (the "Issuer" or the "City"), of $1,310,000 in aggregate principal amount of its Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified) (the "Series 2018 A Bonds") and $2,255,000 in aggregate principal amount of its Sewer Revenue Bonds, Series 2018 B (Bank Qualified) (the "Series 2018 B Bonds" and, together with the Series 2018 A Bonds, the "Series 2018 Bonds"). The Series 2018 Bonds are being issued pursuant to the Constitution and laws of the State of West Virginia (the "State"), particularly Chapter 16, Article 13 of the Code of West Virginia, 1931, as amended (the "Act"), and an ordinance enacted by the Council of the Issuer on July 25, 2017, as supplemented by a supplemental parameters resolution adopted on February 13, 2018 (said ordinance, as so supplemented and together with the certificate of determinations incorporated by reference, the "Ordinance"). The net proceeds of the sale of the Series 2018 A Bonds will be used, together with other funds available therefor, (i) to provide funds to currently refund the Issuer's Sewer Revenue Bonds, Series 1995 B (the "Refunded Bonds"); (ii) to fund the debt service reserve account for the Series 2018 A Bonds in an amount equal to the Series 2018 A Bonds Reserve Account Requirement; and (iii) to pay costs of issuance of the Series 2018 A Bonds and related costs. The net proceeds of the sale of the Series 2018 B Bonds will be used, together with other available funds therefor, (i) to design, acquire, construct and equip certain additions, betterments and improvements to the Issuer's existing public sewerage system (the "Project," as hereinafter described); (ii) to fund the debt service reserve account for the Series 2018 B Bonds in an amount equal to the Series 2018 B Bonds Reserve Account Requirement; and (iii) to pay costs of issuance of the Series 2018 B Bonds and related costs. See "PURPOSES AND PLAN OF FINANCING" herein.

The Series 2018 Bonds are payable solely from and secured by the Net Revenues derived from the existing public sanitary sewerage system of the Issuer and any extensions, improvements and betterments thereto, specifically including, but not limited to, the Project (collectively, the "System"), on parity with one another and any additional Parity Bonds that may hereafter be issued by the Issuer as permitted by the Ordinance (the Series 2018 Bonds and any such hereinafter issued additional Parity Bonds are collectively referred to herein as the "Bonds"), and from funds on deposit in the sinking funds and reserve accounts established for the Series 2018 A Bonds and Series 2018 B Bonds, respectively, under the Ordinance.

The Series 2018 Bonds are special obligations of the Issuer. The Series 2018 Bonds do not constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation on indebtedness, and the Issuer shall not be obligated to pay the Series 2018 Bonds or the interest or any premium thereon except from such Net Revenues and such funds on deposit in the respective sinking funds and reserve accounts established therefor. Pursuant to the Ordinance, the Issuer has covenanted and agreed that the schedule or schedules of rates or charges from time to time in effect shall be sufficient to produce Net Revenues equal to not less than 115% of the Maximum Annual Debt

Service on the Bonds in any Fiscal Year. See "SECURITY FOR THE SERIES 2018 BONDS -- Rate Covenant."

The Series 2018 Bonds will be dated, will mature, will bear interest and will be subject to redemption prior to maturity as more fully described under the heading "THE SERIES 2018 BONDS" herein. The Series 2018 Bonds will initially be maintained under a book-entry system. So long as the Series 2018 Bonds are maintained under a book-entry system, the manner of payment, the denominations, the transfer and exchange of ownership and the method of providing notice of redemption to the owners of the Series 2018 Bonds shall be determined as described in "APPENDIX D - BOOK-ENTRY ONLY SYSTEM." If the book-entry system is discontinued, principal of, interest, and premium, if any, on the Series 2018 Bonds will be payable by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (the "Paying Agent"), to the owners thereof at the address appearing in the books kept by United Bank, Charleston, West Virginia, as registrar (the "Registrar"). For further information describing the method of payment and other matters in the event the book-entry system is discontinued, see "THE SERIES 2018 BONDS" herein and "APPENDIX F – FORMS OF BOND ORDINANCE, SUPPLEMENTAL PARAMETERS RESOLUTION AND CERTIFICATE OF DETERMINATIONS."

There are no outstanding obligations of the Issuer which will rank on parity with the Series 2018 Bonds as to lien, pledge, source of and security for payment. The Issuer may issue additional bonds on parity with the Series 2018 Bonds for the purpose of financing the costs of the design, acquisition, construction and equipping of additions, betterments or improvements to the System and/or refunding all or a portion of one or more series of Bonds, to pay claims which may exist against the revenues or facilities of the System or all of such purposes, subject in each case to certain tests and conditions provided for in the Ordinance. See "SECURITY FOR THE SERIES 2018 BONDS -- Additional Parity Bonds."

Brief descriptions of the Series 2018 Bonds, the Refunding, the Project, the System, the Ordinance, certain provisions of the Act and the Undertaking (as hereinafter defined) are set forth in this Official Statement, as well as other information in the Appendices hereto. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Ordinance, the Undertaking, the Act and other documents, statutes, reports or instruments are qualified in their entirety by reference to such documents, statutes, reports or instruments. References herein to the Series 2018 Bonds are qualified in their entirety by reference to the forms thereof included in the Ordinance and the information with respect thereto included in the aforesaid documents. Capitalized terms used and not otherwise defined in this Official Statement have the respective meanings given to them in the Ordinance. See "APPENDIX F – FORMS OF BOND ORDINANCE, SUPPLEMENTAL PARAMETERS RESOLUTION AND CERTIFICATE OF DETERMINATIONS."

PURPOSES AND PLAN OF FINANCING

The Refunding

The Series 2018 A Bonds are being issued to currently refund the Issuer's Sewer Revenue Bonds, Series 1995 B, in order to achieve debt service savings. Such Series 1995 B Bonds were issued on June 27, 1995, in the original aggregate principal amount of $2,000,000 to finance additions, betterments and improvements to the System. The current outstanding principal balance of the Issuer's Sewer Revenue Bonds, Series 1995 B is approximately $1,305,342.88.

The Project

The Series 2018 B Bonds are being issued to provide funds for the design, acquisition, construction and equipping of certain additions, betterments and improvements to the System, including construction of approximately 2,700 linear feet of 18-inch corrugated HDPE storm sewer line, 32 "Type A" storm inlets, 11 precast concrete culvert headwalls, 3 "Type A" storm manholes, 7 sanitary manholes,

1,750 linear feet of 8-inch PVC gravity sewer, 600 linear feet of 4-inch PVC gravity customer lateral and other related appurtenances, and will also include the rehabilitation of the wastewater treatment plant's ultraviolet disinfection unit, belt sludge press, and non-potable water system (collectively, the "Project"). One of the purposes of the Project is to mitigate the inflow and infiltration of storm water into the System.

The Sanitary Board opened bids on February 13, 2018. The total low bid was $1,208,543.35. The total cost of the Project is anticipated to be $1,810,000, and the Sanitary Board will have a $161,000 contingency for a total of $1,971,000. The Sanitary Board anticipates a 180-day (6 month) construction period.

Sources and Uses of Series 2018 A Bond Proceeds

Sources:	
Principal Amount of the Series 2018 A Bonds	$1,310,000.00
Transfer from the Refunded Bonds Debt Service Reserve Fund	$ 110,380.15
Reoffering Premium	$ 64,347.20
Total Sources of Funds	$1,484,727.35
Uses:	
Payment to USDA for Current Refunding of Refunded Bonds	$1,312,262.98
Deposit to Debt Service Reserve Account[1]	$ 120,200.00
Costs of Issuance [2]	$ 52,264.37
Total Uses of Funds	$1,484,727.35

Sources and Uses of Series 2018 B Bond Proceeds

Sources:	
Principal Amount of the Series 2018 B Bonds	$2,255,000.00
Original Issue Discount	$ 21,855.10
Total Sources of Funds	$2,233,144.90
Uses:	
Deposit to Project Fund [3]	$1,971,000.00
Deposit to Debt Service Reserve Account[4]	$ 168,600.00
Costs of Issuance [5]	$ 93,544.90
Total Uses of Funds	$2,233,144.90

THE SERIES 2018 BONDS

The Series 2018 Bonds are dated the date of delivery. The Series 2018 Bonds will bear interest from their date, payable semiannually on each June 1 and December 1 in each year (each, a "Payment Date"), commencing December 1, 2018, until maturity or until the date fixed for redemption if the Series 2018 Bond is called for prior redemption and payment on such date is provided for. All Series 2018 Bonds shall bear interest from the interest payment date next preceding the date of authentication or, if

[1] An amount not to exceed the Series 2018 A Bonds Reserve Requirement.
[2] Includes Underwriter's discount, legal and financing fees, bond counsel fees, underwriter's counsel fees, accounting, printing, registrar's fee and other miscellaneous expenses relating to the issuance of the Series 2018 A Bonds.
[3] Includes contingency of $161,000.
[4] An amount not to exceed the Series 2018 B Bonds Reserve Requirement.
[5] Includes Underwriter's discount, legal and financing fees, bond counsel fees, underwriter's counsel fees, accounting, printing, registrar's fee and other miscellaneous expenses relating to the issuance of the Series 2018 B Bonds.

authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Series 2018 Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Series 2018 Bonds shall be in default, Series 2018 Bonds issued in exchange for Series 2018 Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Series 2018 Bonds surrendered.

The Series 2018 Bonds will be issued as fully registered bonds without coupons, in denominations of $5,000 or any integral multiples thereof for any year of maturity. Interest on the Series 2018 Bonds shall be payable by check or draft made payable and mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner thereof as of the applicable Record Date (each May 15 and November 15) or, at the option of any Registered Owner of $1,000,000 or more of the Series 2018 Bonds, by wire transfer to a domestic bank account specified in writing at least five (5) days prior to the Record Date by such Registered Owner. Principal of and premium, if any, on the Series 2018 Bonds shall be payable in any coin or currency which, on the respective date of such payment, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender thereof at the principal corporate trust office of the Paying Agent.

Ownership of any Series 2018 Bond may be transferred only by transfer of registration presented to the Registrar by the registered owner thereof in person or by his attorney or legal representative duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or his duly authorized attorney or legal representative. Upon any such transfer of a Series 2018 Bond, there will be issued another Series 2018 Bond or Series 2018 Bonds, at the option of the Holder or transferee, of the aggregate principal amount equal to the unpaid amount of the transferred Series 2018 Bond and of the same series, interest rate and maturity of said transferred Series 2018 Bond. For every exchange or transfer of Series 2018 Bonds, the Registrar may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. Any applicable tax, governmental charge or charge to reimburse the Registrar for any tax or governmental charge shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Registrar shall not be obliged to make any such transfer or exchange of Series 2018 Bonds that have been called for redemption.

The Series 2018 Bonds are available in book-entry form only. See "BOOK-ENTRY ONLY SYSTEM" below and "APPENDIX D – BOOK-ENTRY ONLY SYSTEM." So long as Cede & Co. is the registered owner of the Series 2018 Bonds as nominee of The Depository Trust Company, New York, New York, references herein to the Bondholders or registered owners of the Series 2018 Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the Series 2018 Bonds.

Redemption

Optional Redemption:

The Series 2018 Bonds are subject to redemption, at the option of the Issuer prior to maturity on or after December 1, 2023, in whole or in part, at any time, the maturity date or dates of the Series 2018 Bonds being redeemed to be selected by the Issuer and by random selection within maturities if less than all of any maturity, at the redemption price of 100% of the principal amount to be redeemed, plus interest, if any, accrued to the date fixed for redemption.

Mandatory Redemption:

The Series 2018 A Bonds are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2018	$ 60,000
2019	70,000
2020	70,000
2021	75,000
2022	75,000
2023	80,000
2024	85,000
2025	85,000
2026	90,000
2027	95,000
2028	95,000
2029	100,000
2030	105,000
2031	110,000
2032*	115,000

* Final Maturity

The Series 2018 B Term Bonds due December 1, 2021 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2018	$ 45,000
2019	85,000
2020	85,000
2021*	90,000

* Final Maturity

The Series 2018 B Term Bonds due December 1, 2025 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2022	$ 95,000
2023	95,000
2024	100,000
2025*	100,000

* Final Maturity

The Series 2018 B Term Bonds due December 1, 2028 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2026	$ 105,000
2027	110,000
2028*	115,000

* Final Maturity

The Series 2018 B Term Bonds due December 1, 2032 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2029	$ 115,000
2030	120,000
2031	125,000
2032*	130,000

* Final Maturity

The Series 2018 B Term Bonds due December 1, 2037 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2033	$ 135,000
2034	140,000
2035	150,000
2036	155,000
2037*	160,000

* Final Maturity

Notice of Redemption

Unless waived by any holder of the Series 2018 Bonds to be redeemed, official notice of any redemption shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the registered owner of the Series 2018 Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Registrar.

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

(1) The redemption date,

(2) The redemption price,

(3) If less than all outstanding Series 2018 Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Series 2018 Bonds to be redeemed,

(4) That on the redemption date the Redemption Price and interest accrued will become due and payable upon each such Series 2018 Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date,

(5) The place where such Series 2018 Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Registrar, and,

(6) Such other information, if any, as shall be required for DTC-Eligible Bonds.

If funds sufficient to redeem all Series 2018 Bonds called for optional redemption have not been deposited with the Paying Agent at the time of mailing any notice of optional redemption, such notice shall also state that such optional redemption is subject to the deposit of such monies with the Paying Agent on or before the Redemption Date. If such monies are not so deposited, the Registrar shall notify all holders of Series 2018 Bonds called for redemption of such fact.

BOOK-ENTRY ONLY SYSTEM

Purchasers of the Series 2018 Bonds will not receive certificates representing their interests in the Series 2018 Bonds purchased. The Series 2018 Bonds will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York. See "APPENDIX D – BOOK-ENTRY ONLY SYSTEM."

No Assurance Regarding DTC Practices

Neither the Issuer nor the Sanitary Board can or does give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series 2018 Bonds (1) payments of principal of or interest and premium, if any, on the Series 2018 Bonds, (2) confirmation of beneficial ownership interest in the Series 2018 Bonds, or (3) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2018 Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "rules" applicable to DTC are on file with the Securities and Exchange Commission, and the current "procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

None of the Issuer, the Sanitary Board, the Registrar or the Paying Agent shall have any responsibility or obligation to any Direct Participant, Indirect Participant, Beneficial Owner or any other person with respect to (1) the accuracy of any records maintained by DTC or any Participant; (2) the payment by DTC or any Participant of any amount due to any Beneficial Owner in respect of the principal amount or redemption price of or interest on the Series 2018 Bonds; (3) the delivery by DTC or any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Ordinance to be given to Bondholders; or (4) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2018 Bonds.

SECURITY FOR THE SERIES 2018 BONDS

The Series 2018 Bonds are special obligations of the Issuer and are payable as to principal, premium, if any, and interest solely from the sources described below. The Issuer is under no obligation to pay the Series 2018 Bonds except from said sources.

Outstanding Prior Bonds

After the issuance of the Series 2018 Bonds, the Issuer will not have outstanding any bonds payable from the Net Revenues of the System other than the Series 2018 Bonds. The Series 2018 A Bonds and Series 2018 B Bonds will be issued on parity with each other.

Sources of Payment

The payment of the debt service on the Series 2018 Bonds shall be secured forthwith equally and ratably by a first lien on and pledge of the Net Revenues derived from the System, on parity with one another and with any additional Parity Bonds that may hereafter be issued by the Issuer as permitted by the Ordinance. The Series 2018 A Bonds are also payable from the funds on deposit in the Series 2018 A Bonds Sinking Fund and the Series 2018 A Bonds Reserve Account therein and the Series 2018 B Bonds are also payable from the funds on deposit in the Series 2018 B Bonds Sinking Fund and the Series 2018 B Bonds Reserve Account therein. Net Revenues means Gross Revenues less Operating Expenses. See "APPENDIX F – FORMS OF BOND ORDINANCE, SUPPLEMENTAL PARAMETERS RESOLUTION AND CERTIFICATE OF DETERMINATIONS." Net Revenues derived from the System in an amount sufficient to pay the principal of, premium, if any, and interest on the Series 2018 Bonds and to make the payments into the Series 2018 A Bonds Sinking Fund and Series 2018 B Bonds Sinking Fund (after payment of all operation and maintenance expenses) and to pay all other payments provided for in the Ordinance, and, with respect to the Series 2018 A Bonds only, the funds in the Series 2018 A Bonds Sinking Fund and the Series 2018 A Bonds Reserve Account therein, and, with respect to the Series 2018 B Bonds only, the funds in the Series 2018 B Bonds Sinking Fund and the Series 2018 B Bonds Reserve Account therein, are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Series 2018 Bonds as the same become due and for the other purposes provided in the Ordinance.

Rate Covenant

The rates and charges for the use of the services and facilities of the System are those set forth in and approved by a rate ordinance enacted by the City Council on April 4, 2011. No rate increase is required in connection with the issuance of the Series 2018 Bonds. See "APPENDIX G – RATE TARIFF." Pursuant to the Ordinance, the schedule or schedules of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds and accounts created under the Ordinance. Such schedule or schedules of rates and charges shall be revised from time to time, whenever necessary, so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer covenants and agrees in the Ordinance that rates or charges from time to time in effect shall be sufficient, together with other revenues of the System, to provide a rate coverage sufficient, together with other revenues of the System, to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2018 Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with, or subordinate to, the Series 2018 Bonds.

Series 2018 A Bonds Reserve Account

$120,200.00 of the proceeds of the Series 2018 A Bonds will be deposited in the Series 2018 A Bonds Reserve Account. In the event of a transfer from the Series 2018 A Bonds Reserve Account to the Series 2018 A Bonds Sinking Fund, the Issuer shall restore the balance of the Series 2018 A Bonds Reserve Account in an amount up to the Series 2018 A Bonds Reserve Account Requirement as provided in the Ordinance.

Series 2018 B Bonds Reserve Account

$168,600.00 of the proceeds of the Series 2018 B Bonds will be deposited in the Series 2018 B Bonds Reserve Account. In the event of a transfer from the Series 2018 B Bonds Reserve Account to the Series 2018 B Bonds Sinking Fund, the Issuer shall restore the balance of the Series 2018 B Bonds Reserve Account in an amount up to the Series 2018 B Bonds Reserve Account Requirement as provided in the Ordinance.

Application of Gross Revenues

The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited by the Issuer in the Revenue Fund. The Revenue Fund shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. All Revenues at any time remaining on deposit in the Revenue Fund shall be disposed of only in the following manner and order of priority:

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

(2) The Issuer shall next, each month on or before the due date, transfer from the Revenue Fund and simultaneously remit to the Commission (i) beginning on the first day of that month which is 6 months prior to the first interest payment date on the Series 2018 A Bonds, apportion and set apart out of the Revenue Fund and deposit in the Series 2018 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 2018 A Bonds on the next ensuing semiannual interest payment date; provided, that in the event the period to elapse between the date of such initial deposit in the Series 2018 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date, and provided further, that the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2018 A Bonds Sinking Fund shall be reduced by the amount of accrued interest, if any, on the Series 2018 A Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2018 A Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2018 A Bonds Sinking Fund; and (ii) beginning on the first day of that month which is 6 months prior to the first interest payment date on the Series 2018 B Bonds, apportion and set apart out of the Revenue Fund and deposit in the Series 2018 B Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 2018 B Bonds on the next ensuing semiannual interest payment date; provided, that in the event the period to elapse between the date of such initial deposit in the Series 2018 B Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date, and provided further, that the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2018 B Bonds Sinking Fund shall be reduced by the amount of accrued interest, if any, on the Series 2018 B Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2018 B Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2018 B Bonds Sinking Fund.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) for deposit in the Series 2018 A Bonds Sinking Fund (and in the Series 2018 A Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed) on the first day of each month, beginning on the first day of that month which is 12 months prior to the first principal payment or mandatory Redemption Date of the Series 2018 A Bonds, a sum equal to 1/12th of the amount (or 1/6th of the amount if the Series 2018 A Bonds mature semiannually rather than annually) of principal which will mature or be redeemed and become due on the Series 2018 A Bonds on the next ensuing principal payment or mandatory Redemption Date; provided, that in the event

the period to elapse between the date of such initial deposit in the Series 2018 A Bonds Sinking Fund and the next ensuing principal payment or mandatory Redemption Date is less than or greater than 12 months (or 6 months if the Series 2018 A Bonds mature semiannually rather than annually), then such monthly payments shall be increased or decreased proportionately to provide, one month prior to the next ensuing principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2018 A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph; and (ii) for deposit in the Series 2018 B Bonds Sinking Fund (and in the Series 2018 B Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed) on the first day of each month, beginning on the first day of that month which is 12 months prior to the first principal payment or mandatory Redemption Date of the Series 2018 B Bonds, a sum equal to 1/12th of the amount (or 1/6th of the amount if the Series 2018 B Bonds mature semiannually rather than annually) of principal which will mature or be redeemed and become due on the Series 2018 B Bonds on the next ensuing principal payment or mandatory Redemption Date; provided, that in the event the period to elapse between the date of such initial deposit in the Series 2018 B Bonds Sinking Fund and the next ensuing principal payment or mandatory Redemption Date is less than or greater than 12 months (or 6 months if the Series 2018 B Bonds mature semiannually rather than annually), then such monthly payments shall be increased or decreased proportionately to provide, one month prior to the next ensuing principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2018 B Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) commencing 13 months prior to the first date of payment of principal of the Series 2018 A Bonds, if not fully funded upon issuance of the Series 2018 A Bonds, for deposit in the Series 2018 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2018 A Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 2018 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2018 A Bonds Reserve Requirement; provided further, that if the amounts in the Series 2018 A Bonds Reserve Account, as a result of a decrease in value of the Series 2018 A Bonds Reserve Account below the Series 2018 A Bonds Reserve Account Requirement or any withdrawal from the Series 2018 A Bonds Reserve Account, the Issuer shall apply such monies for deposit into the Series 2018 A Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 2018 A Bonds Reserve Account results in a determination that the amount of monies and the value of the Qualified Investments deposited to the credit of the Series 2018 A Bonds Reserve Account is less than the Series 2018 A Bonds Reserve Account Requirement, or (b) any amount is withdrawn from the Series 2018 A Bonds Reserve Account for deposit into the Series 2018 A Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of monies on deposit in the Series 2018 A Bonds Reserve Account to an amount equal to the Series 2018 A Bonds Reserve Account Requirement to the full extent that such Net Revenues are available; provided, however, that if the shortfall in the Series 2018 A Bonds Reserve Account is due to a decrease in the value of investments therein, such shortfall shall be replenished by not less than 4 equal monthly payments, and if such shortfall is due to a withdrawal from the Series 2018 A Bonds Reserve Account, such shortfall shall be replenished by not less than 12 equal monthly payments, and provided further, that no payments shall be required to be made into the Series 2018 A Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2018 A Reserve Account Requirement; and (ii) commencing 13 months prior to the first date of payment of principal of the Series 2018 B Bonds, if not fully funded upon issuance of the Series 2018 B Bonds, for deposit in the Series 2018 B Bonds Reserve Account, an amount equal to 1/120th of the Series 2018 B Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 2018 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2018 B Bonds Reserve Requirement; provided further, that if the

amounts in the Series 2018 B Bonds Reserve Account, as a result of a decrease in value of the Series 2018 B Bonds Reserve Account below the Series 2018 B Bonds Reserve Account Requirement or any withdrawal from the Series 2018 B Bonds Reserve Account, the Issuer shall apply such monies for deposit into the Series 2018 B Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 2018 B Bonds Reserve Account results in a determination that the amount of monies and the value of the Qualified Investments deposited to the credit of the Series 2018 B Bonds Reserve Account is less than the Series 2018 B Bonds Reserve Account Requirement, or (b) any amount is withdrawn from the Series 2018 B Bonds Reserve Account for deposit into the Series 2018 B Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of monies on deposit in the Series 2018 B Bonds Reserve Account to an amount equal to the Series 2018 B Bonds Reserve Account Requirement to the full extent that such Net Revenues are available; provided, however, that if the shortfall in the Series 2018 B Bonds Reserve Account is due to a decrease in the value of investments therein, such shortfall shall be replenished by not less than 4 equal monthly payments, and if such shortfall is due to a withdrawal from the Series 2018 B Bonds Reserve Account, such shortfall shall be replenished by not less than 12 equal monthly payments, and provided further, that no payments shall be required to be made into the Series 2018 B Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2018 B Reserve Account Requirement.

Amounts in the Series 2018 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2018 A Bonds when due, when amounts in the Series 2018 A Bonds Sinking Fund are insufficient therefor and for no other purpose.

Amounts in the Series 2018 B Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2018 B Bonds when due, when amounts in the Series 2018 B Bonds Sinking Fund are insufficient therefor and for no other purpose.

(5) The Issuer shall next, on the first day of each month, transfer from the monies remaining in the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, a sum equal to 2.5% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, or improvements or extensions to the System; provided, that any deficiency in any Reserve Account, except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of deficiency, funded such account to the maximum extent required hereof, shall promptly be eliminated with monies from the Renewal and Replacement Fund.

(6) Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove provided, are current and there remains in the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by the Act, such excess shall be considered as surplus revenues (the "Surplus Revenues"). Surplus Revenues may be used for any lawful purpose of the System.

Enforcement of Collections

The Issuer covenants in the Ordinance to 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 and other charges that shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State. Such fees, rentals and charges, if not paid when due, shall, to the extent allowed by the Act, become a lien on the premises served by the System.

The 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 or facilities of the potable water system which serves the customers of the System, if owned by the Issuer or pursuant to a termination agreement with the utility providing such water service to the premises, and will not restore such services of the System until all billing for charges for the services and facilities of the System, including penalties and reconnect fees, have been fully paid, or a payment agreement in compliance with the West Virginia Public Service Commission regulations has been entered into with the customer.

Additional Parity Bonds

No additional Parity Bonds payable out of the Net Revenues of the System shall be issued after the issuance of any Series 2018 Bonds pursuant to the Ordinance, except under the conditions and in the manner provided in the Ordinance. No such additional Parity Bonds shall be issued except for the purposes of financing the costs of the design, acquisition and construction of extensions, additions, betterments or improvements to the System, refunding all or a portion of one or more Series of 2018 Bonds issued pursuant hereto or any hereinafter issued additional Parity Bonds, or to pay claims which may exist against the revenues or facilities of the System or all of such purposes.

So long as the Series 2018 Bonds are outstanding, no Parity Bonds shall be issued at any time, however, unless and until there has been procured a written statement by Independent Certified Public Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustment hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such additional Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall be not less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

(1) The Bonds then Outstanding;

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

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

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

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

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the 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 the 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 the Ordinance with respect to the Bonds then Outstanding, and any other payments provided for in the Ordinance, shall have been made in full as required to the date of issuance of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of the Ordinance.

Provided, however, that if the most recent audit by an independent certified public accountant for the Issuer states that the Issuer was not in compliance with the rate covenant in the Ordinance for the year being audited and the Issuer has, as required by the Ordinance, sought a rate increase sufficient to comply with the Ordinance, such statement in the most recent audit shall not be considered a violation of the covenants, agreements and terms of the Ordinance, so as to prevent the Issuer from issuing additional Parity Bonds under the Ordinance.

The Issuer anticipates that it will from time to time issue additional parity bonds to finance the costs of improvements to the System.

Special, Limited Obligations

The Series 2018 Bonds do not constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation on indebtedness. No registered owner of any Series 2018 Bond shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2018 Bonds or the interest or any premium thereon.

THE ISSUER

The City of Salem is located in western Harrison County, West Virginia, in the north central portion of the State of West Virginia.

Government

The Issuer was first chartered as the Town of New Salem in 1794 by legislative enactment of the Virginia Assembly and was incorporated by the State of West Virginia as the City of Salem on February 25, 1905. The Issuer presently operates under the manager-mayor form of government pursuant to a charter adopted as of July 1, 1996. The City is governed by a six-member City Council elected for a two-year term by the voters of the City. Pursuant to the Act, the Sanitary Board operates as a separate sub-unit of the City with control and responsibility for custody, administration, operation and maintenance of the System.

Information Regarding Issuer

The Series 2018 Bonds are payable only from the Net Revenues of the System, which are pledged to their payment. No other funds of the Issuer are available or expected to be used to pay the Series 2018 Bonds. Likewise, the revenues of the System are not used for other purposes of the Issuer. Accordingly, detailed information regarding the Issuer has not been included in this Official Statement; provided, that the audited financial statements of the Issuer for the fiscal year ended June 30, 2016 and the unaudited financial statements of the Issuer for the fiscal year ended June 30, 2017 are included in Appendix C hereto. See "APPENDIX C – FINANCIAL STATEMENTS OF THE ISSUER."

THE SYSTEM AND THE SANITARY BOARD

Pursuant to the Act and an ordinance adopted January 12, 1993, custody, administration, operation and maintenance of the System were placed under the supervision and control of the Sanitary Board. City Council retains the power to establish and maintain rates and charges for the use of services provided by the System and to issue bonds for the purpose of paying the costs of improvements and extensions to the System and refunding bonds previously issued for such purpose.

The System currently consists of approximately 8.56 miles of combined wastewater and stormwater gravity sewer lines, approximately 0.92 miles of force main sewer lines, 2 sewage lift stations, and a 400,000 gallon per day wastewater treatment plant. One of the purposes of the Project is to reduce the inflow and infiltration of storm water into the System. Accordingly, after completion of the Project the 8.56 miles of combined wastewater and stormwater gravity sewer lines referenced above are intended to become primarily gravity sanitary sewer lines. The wastewater treatment plant is located in the eastern portion of the City on 3.65 acres of property owned by the Issuer. The System provides sewage collection and treatment services to more than 99% of the population of the City of Salem. The System is currently a "combined system," in that both stormwater and sanitary sewage enter the System. However, as referenced above, after completion of the Project it is intended that the System will become primarily a sanitary sewage system. Treated effluent is discharged into the Salem Fork, a tributary of Tenmile Creek.

For information regarding the Sanitary Board and the System, including the applicable rates, see "APPENDIX B – THE SYSTEM AND THE SANITARY BOARD," "APPENDIX C – FINANCIAL STATEMENTS OF THE ISSUER," and "APPENDIX G – RATE TARIFF."

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Coverage Ratios

Under the Ordinance, the Issuer has covenanted that the schedule or schedules of rates and charges from time to time in effect shall be sufficient to produce Net Revenues equal to not less than 115% of the Maximum Annual Debt Service on the Bonds, and any hereinafter issued additional Parity Bonds, or subordinate bonds, and in any Fiscal Year.

The following table presents the historical audited debt service coverage for the fiscal years ended June 30 2014, 2015 and 2016, and the estimated projected debt service coverage for the fiscal years ending June 30, 2017, 2018 and 2019.

Historical and Projected Debt Service Coverage

	Historical			Projected		
	FY 2014 (Audited)	FY 2015 (Audited)	FY 2016 (Audited)	FY 2017 (Projected)	FY 2018 (Projected)	FY 2019) (Projected)
Operating Revenues	791,254	851,676	773,873	818,351	818,351	818,351
Interest/Other Income	87	100	427	710	710	710
Total Cash	791,341	851,776	774,300	819,061	819,061	819,061
Less O&M Expenses (1)	342,967	457,784	369,414	415,927	428,405	441,257
Cash Available for Debt Service	448,374	393,992	404,886	403,134	390,656	377,804
Debt Service Requirements	267,660	267,660	267,660	149,535	110,160	287,251
Debt Service Coverage	1.675163	1.471987	1.512688	2.695917	3.546262	1.31524

(1) Net of Depreciation and Amortization.

Source: The City and City's Utility Accountant

Projected Financial Information

Neither the Issuer nor the Sanitary Board as a matter of course makes public projections as to future revenues, expenses, increases in net assets or other results. However, the officials of the Sanitary Board have prepared the prospective financial information set forth above to present the full scope of the System. The prospective financial information was not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the Sanitary Board's officers, was prepared on a reasonable basis, reflects the best currently available estimates and

judgments, and presents, to the best of such officers' knowledge and belief, the expected course of action and the expected future financial performance of the System. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information. Neither the Issuer's independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

DEBT SERVICE REQUIREMENTS

The table on the following page sets forth for each fiscal year during which the Series 2018 A Bonds and Series 2018 B Bonds will be outstanding, beginning Fiscal Year ending June 30, 2019, the amounts payable for debt service on the Series 2018 A Bonds and Series 2018 B Bonds from Net Revenues.

	Series 2018 A					Series 2018 B					Total
Fiscal Year (June 30)	Principal	Interest	Debt Service	Series 2018 A Reserve Fund	Net Debt Service	Principal	Interest	Debt Service	Series 2018 B Reserve Fund	Net Debt Service	Net Debt Service
2019	60,000.00	60,370.00	120,370.00	-	120,370.00	45,000.00	96,350.63	141,350.63	-	141,350.63	261,720.63
2020	70,000.00	48,600.00	118,600.00	-	118,600.00	85,000.00	79,950.00	164,950.00	-	164,950.00	283,550.00
2021	70,000.00	45,800.00	115,800.00	-	115,800.00	85,000.00	77,400.00	162,400.00	-	162,400.00	278,200.00
2022	75,000.00	42,900.00	117,900.00	-	117,900.00	90,000.00	74,775.00	164,775.00	-	164,775.00	282,675.00
2023	75,000.00	39,900.00	114,900.00	-	114,900.00	95,000.00	71,881.25	166,881.25	-	166,881.25	281,781.25
2024	80,000.00	36,800.00	116,800.00	-	116,800.00	95,000.00	68,793.75	163,793.75	-	163,793.75	280,593.75
2025	85,000.00	33,500.00	118,500.00	-	118,500.00	100,000.00	65,625.00	165,625.00	-	165,625.00	284,125.00
2026	85,000.00	30,100.00	115,100.00	-	115,100.00	100,000.00	62,375.00	162,375.00	-	162,375.00	277,475.00
2027	90,000.00	26,600.00	116,600.00	-	116,600.00	105,000.00	58,912.50	163,912.50	-	163,912.50	280,512.50
2028	95,000.00	22,900.00	117,900.00	-	117,900.00	110,000.00	55,150.00	165,150.00	-	165,150.00	283,050.00
2029	95,000.00	19,100.00	114,100.00	-	114,100.00	115,000.00	51,212.50	166,212.50	-	166,212.50	280,312.50
2030	100,000.00	15,200.00	115,200.00	-	115,200.00	115,000.00	46,900.00	161,900.00	-	161,900.00	277,100.00
2031	105,000.00	11,100.00	116,100.00	-	116,100.00	120,000.00	42,200.00	162,200.00	-	162,200.00	278,300.00
2032	110,000.00	6,800.00	116,800.00	-	116,800.00	125,000.00	37,300.00	162,300.00	-	162,300.00	279,100.00
2033	115,000.00	2,300.00	117,300.00	(120,200.00)	(2,900.00)	130,000.00	32,200.00	162,200.00	-	162,200.00	159,300.00
2034						135,000.00	26,900.00	161,900.00	-	161,900.00	161,900.00
2035						140,000.00	21,400.00	161,400.00	-	161,400.00	161,400.00
2036						150,000.00	15,600.00	165,600.00	-	165,600.00	165,600.00
2037						155,000.00	9,500.00	164,500.00	-	164,500.00	164,500.00
2038						160,000.00	3,200.00	163,200.00	(168,600.00)	(5,400.00)	(5,400.00)
Total	$1,310,000.00	$ 441,970.00	$1,751,970.00	$ (120,200.00)	$1,631,770.00	$2,255,000.00	$ 997,625.63	$3,252,625.63	$ (168,600.00)	$3,084,025.63	$4,715,795.63

INVESTMENT CONSIDERATIONS

The following discussion of investment considerations is not meant to be an exhaustive list of the considerations relating to the purchase of the Series 2018 Bonds, and the order in which the factors are described does not necessarily reflect the relative importance of the various factors.

Net Revenue Pledge

The Series 2018 Bonds are secured solely by the Net Revenues of the System. There can be no guarantee that current rates of the System will always produce revenue sufficient to first pay the operating expenses of the System and then pay the debt service on the Series 2018 Bonds and any hereinafter additional Parity Bonds. The Issuer has covenanted in the Resolution to raise the rates of the System if the Net Revenues of the System are not sufficient to provide 115% coverage of the maximum annual debt service of the Series 2018 Bonds, and all bonds issued on a parity with, or subordinate to, the Series 2018 Bonds. Currently under State law municipal sewer utilities do not have the ability to adjust rates without the possibility of regulatory review by the Commission.

Net Revenues sufficient to pay the debt service on the Series 2018 Bonds depend on the retention of current customers by the Issuer. An unexpected loss of customers by the Issuer and corresponding reduction in sewer usage could have an adverse effect on the ability of the Issuer to make the required payments on the Series 2018 Bonds. Additionally, a significant reduction in the amount of water used by customers of the Issuer and a corresponding reduction in sewer usage may also have an adverse impact on the Issuer's ability to make the required payments on the Series 2018 Bonds.

Special, Limited Obligations

The Series 2018 Bonds are special, limited obligations of the Issuer, payable from and secured by the Net Revenues of the System and with respect to the Series 2018 A Bonds only, from funds on deposit in the Series 2018 A Bonds Sinking Fund and the reserve account established therefor, and with respect to the Series 2018 B Bonds only, from funds on deposit in the Series 2018 B Bonds Sinking Fund and the reserve account established therefor. The obligation of the Issuer to pay debt service on the Series 2018 Bonds does not constitute an obligation of the Issuer to levy or pledge any form of taxation or for which the Issuer has levied or pledged any form of taxation, and the Issuer shall not be obligated to pay the Series 2018 Bonds, or premium, if any, or the interest thereon, except from such Net Revenues and such funds on deposit in the Series 2018 A Bonds Sinking Fund and the Series 2018 A Bonds Reserve Account, and such funds on deposit in the Series 2018 B Bonds Sinking Fund and the Series 2018 B Bonds Reserve Account. The pledge is only of the Net Revenues, meaning that the operation and maintenance expenses of the System are paid prior to debt service.

Financial Difficulties of the Issuer

The Bonds are payable only from the Net Revenues of the System, which are pledged to their payment. No other funds of the Issuer are available or expected to be used to pay the Bonds. Likewise, the Gross Revenues of the System are not used for other purposes of the Issuer. Accordingly, detailed information regarding the Issuer has not been included in this Official Statement. However, although operated by the Sanitary Board, the System is owned by and constitutes an asset of the Issuer. As such, any severe financial difficulties of the Issuer could adversely affect the market value of the Series 2018 Bonds. See "APPENDIX C – FINANCIAL STATEMENTS OF THE ISSUER."

Future Legislation or Administrative Rules or Actions

Current or future legislative proposals, if enacted into law, may cause interest on the Series 2018 Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent holders of the Series 2018 Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals may also affect the market price for, or marketability of, the Series 2018 Bonds. Prospective purchasers of the Series 2018 Bonds should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

It is not an event of default on the Series 2018 Bonds if any legislation is enacted reducing or eliminating the exclusion of interest on state and local government bonds from gross income for federal income tax purposes.

Future legislation or administrative rules or interpretation of existing legislation or rules, including but not limited to environmental legislation or rules, could significantly affect the operating or capital expenditure burden of the Sanitary Board.

The Public Service Commission of West Virginia

In West Virginia, municipal sewer utilities such as the System are subject to regulatory oversight by the Public Service Commission of West Virginia (the "Commission"). Such regulation specifically includes, but is not limited to: (A) pursuant to Chapter 24, Article 2, Section 11 of the Code of West Virginia, 1931, as amended, utilities must obtain a certificate of public convenience and necessity prior to proceeding to construction for projects which are outside of "the usual course of business;" and (B) rate increases enacted by the Council of the Issuer are subject to review by the Commission for regulatory "notice" requirements and, under certain circumstances, the Commission may review, and adjust, the actual enacted rates. The parameters surrounding Commission review are discussed below. Such regulatory review may delay or halt the implementation of rate increases which could cause the Issuer to fail to meet rate covenants or produce revenue sufficient to pay debt service.

The Commission has two levels of review. Most cases are initially assigned to an administrative law judge ("ALJ") for decision. The Commission employs a "staff" comprised of engineers, lawyers and financial analysts (the "Staff") to review cases and make recommendations. The Issuer is also permitted to make recommendations, as are other parties who are granted "intervenor" status. The ALJ may conduct a hearing, at which evidence is presented and witnesses for all parties may be cross-examined, after which a recommended decision is issued. Any party to the underlying proceeding, including a party granted intervenor status, may take exception to the recommended decision of the ALJ, in which case the matter is referred to the full Commission for decision.

Commission Regulatory Oversight of Notice of Requirements for Rate Increases

Pursuant to Chapter 8, Article 11, Section 4, Chapter 16, Article 13, and Chapter 24, Article 2, Section 4b of the Code of West Virginia, 1931, as amended, the Council of the Issuer has the ability to establish rates for the sewerage utility through the enactment of an ordinance, following a public hearing on such ordinance. In the enactment of such an ordinance, the Issuer must comply with regulations of the Commission related to providing notice of such proposed rate increase. The Commission reviews the compliance of the Issuer with such regulations and, if the Commission determines that the Issuer has failed to satisfy the requirements of the regulations, the Commission may declare the rate ordinance invalid.

In such instance, the Issuer would have no choice but to reenact the ordinance.

Commission Review of Enacted Rates and Charges for System

Once the ordinance is enacted by the Issuer, the proposed rates and changes for the System are subject to review by the Commission under the following scenarios:

1. More than 25% of the customers of the Issuer sign a petition asking that the Commission review the rates enacted by the Issuer; or

2. A customer of the Issuer, which resides within the municipal boundaries of the Issuer, alleges in writing that the rates enacted by the Issuer are "discriminatory"; or

3. A customer of the Issuer, which resides outside of the municipal boundaries of the Issuer, alleges in writing that the rates enacted by the Issuer are "discriminatory."

If any of the above occurs, the Commission then takes "jurisdiction" over the rates, initiating an investigation into the reasonableness of the enacted rates. Pursuant to Chapter 24, Article 2, Section 4b of the Code of West Virginia, 1931, as amended (the "PSC Act"), the rates enacted by the Issuer are suspended for 120 days from the date the rates would otherwise have gone into effect (i.e., immediately upon enactment if the rate increase results in an increase of less than 25% of the gross revenue of the utility; otherwise, 45 days from enactment of the rate ordinance) and the new rates, if any, established by the Commission will go into effect at that end of the suspension period.

The Commission views the term "discrimination" to include more situations than those where a different rate is applied to resident and non-resident customers. The Supreme Court of Appeals of West Virginia previously affirmed the Commission's interpretation of the term "discrimination" when the court held that verified allegations, "which included the failure of the [municipality] to perform a class cost of service study and the discriminatory imposition of certain costs to resale customers, were sufficient to meet the requirements" found in the PSC Act. *City of Wheeling v. Pub. Serv. Comm'n of W. Va.,* 199 W. Va. 252, 257, 483 S.E.2d 835, 840 (1997).

Potential Delays for the Implementation of Rate Increases

Generally, the process of enacting a rate ordinance requires a minimum of two weeks (two readings by Council, separated by sufficient time to allow for the publication of a public hearing prior to the second reading, with the first publication for the public hearing being not less than 10 days prior to the date of the publication). Pursuant to the PSC Act and regulations of the Commission, the rates can go into effect immediately upon enactment if the rate increase results in an increase of less than 25% of the gross revenue of the utility; provided, however, that revenues collected from rates put into effect upon enactment may be subject to refund if the rates are subsequently disapproved or modified by the Commission in an appeal proceeding. If the rate increase is greater than 25% of the gross revenue of the utility, then the new rates cannot go into effect any sooner than 45 days from the date of enactment, provided that an appeal of the proposed rates does not occur. In the event that the Commission takes jurisdiction of the rate increase, the Commission will establish a decision due date for the ALJ, that is generally 30 days prior to the end of the 120-day suspension period. If any of the parties, however, appeal the ALJ's recommended decision to the full Commission, the Commission will render its decision no later than the end of the 120-day suspension period. Additionally, a decision of the Commission may be appealed to the Supreme Court of Appeals of West Virginia, which has no statutory time frame within which to render a decision.

A final decision of the Commission may be appealed to the Supreme Court of Appeals of West Virginia, which Court has no statutory time frame within which to render a decision. While a party does have the right to appeal a Commission decision, the Supreme Court of Appeals of West Virginia has "'previously held, in deference to the Commission's expertise, that the Court will not substitute [its] judgment for that of the Commission on controverted evidence. However, findings of fact made by the

Commission will be overturned as clearly wrong when there is no substantial evidence to support them.'" *Berkeley Utils., Inc. v. Pub. Serv. Comm'n of W. Va.*, 227 W. Va. 589, 595, 712 S.E.2d 498, 504 (2011) (quoting *Chesapeake and Potomac Tel. Co. of W. Va. v. Pub. Serv. Comm'n of W. Va.*, 171 W. Va. 494, 498, 300 S.E.2d 607, 611 (1982)). In other words, the Court gives significant deference to decisions of the Commission. Commission-approved rates may be charged (provided that the applicable suspension period has ended) during an appeal to the Supreme Court of Appeals of West Virginia. If the appealing party prevails and new rates are established by the court, the new rates apply prospectively.

Consequently, the time period from the first reading of a rate ordinance to the increased rates being charged to the customers is a minimum of 14 days, and if the Commission takes jurisdiction, can exceed 180 days (Commission approved rates are billable during an appeal to the Supreme Court of Appeals of West Virginia). From the date the new rates begin to be charged, the Issuer should realize revenues in approximately 45 to 60 days. Resale customers are required to obtain authorization from the Commission for any necessary increase in resale rates. Such increases are often granted by the Commission after the rates for the Issuer go into effect, which means no assurance exists that resale customers will have sufficient revenues to begin paying the increased resale rates. The Commission can, and has on occasion, pre-approved resale rate increases in advance of the effective date of the new rates. As a result, resale customers may have the ability to begin charging the new resale rates of the Issuer as soon as the rates go into effect.

Test Year

If the Commission takes jurisdiction over a municipality's rate ordinance as described above, the regulations of the Commission require a municipality to file "financial justification" for the enacted rate increase. This financial justification must be based on financial data from the most recent actual audited or finally closed twelve-month period ending on a calendar quarter, also known as the "test year." Events which occur outside the test year are not generally permitted in the rate adjustment. A determination at the end of any twelve-month period that a rate increase is necessary may not result in increased rates and collections for nine months or more from the end of that period.

The Issuer has the option to proceed with a rate increase at any time during the course of the year; however, the financials examined by the Commission will be the financials for the most recent full fiscal year, not the 12-month period immediately preceding the date of the request.

Reliance on "Known and Measurable" Adjustments

When considering adjustments to the rates of a utility for costs occurring during the "test year," the Commission's regulations require that the need for, and amount of, such adjustments be based on information that is "known and measurable." As a result, a change in revenues or expenses must, in most cases, have occurred in the test year being analyzed. If an increase in a cost, or a decline in revenue, is anticipated for the coming year, the Commission generally will not take such change into account for rate-making purposes unless the change occurs during the test year.

As a result of the requirement that the support for adjustments be "known and measurable," the Commission will generally not allow multi-year rate increases to address anticipated inflation or drops in customer usage. Therefore, the Issuer must initiate the rate ordinance process, and potential Commission review, whenever increased costs or decreased revenues necessitate a rate increase.

Emergency Rate Increase

The PSC Act permits utilities to request from the Commission "emergency rates" if the utility is in "financial distress." Financial distress has been defined by the Commission to mean the utility is unable to pay operation and maintenance expenses and the principal and interest on the utility's debt obligations. Such rates, however, are subject to refund, in the event the Commission determines that the

emergency rates, or any portion thereof, are not warranted. Generally, emergency rates CANNOT be obtained to meet coverage requirements in bond documents.

Treatment of Renewal and Replacement Funds

Most municipal sewerage utilities in the State are required, pursuant to the terms of their outstanding bonds, to deposit 2.5% of gross revenues in a "Renewal and Replacement Fund" or "Depreciation Account" each month. The purpose of this account is to provide monies for capital repairs and improvements, to construct extensions and to make up deficiencies in the reserve funds. In recent years, the Commission has taken the position that while the deposits should be made into the Account each month, such deposits are to be included in the calculation of the Issuer's funds available for capital additions for the Fiscal Year. The Commission generally calculates funds available for capital additions by averaging capital additions for the last five years; provided, however, the Commission will consider a different calculation if the utility can demonstrate the need for a higher capital requirement. Consequently, the Issuer is not permitted to accumulate funds to be used for unforeseen capital repairs and replacements, for needed extensions or to replenish draws from the reserve funds as the account is to be utilized each year as part of the ongoing capital expenditures for the system. The Issuer's inability to maintain funds for emergencies increases its risk of utilizing revenues to pay for emergency repairs leaving insufficient funds to pay debt service on the Bonds.

Annual Municipal Audit

Pursuant to Chapter 6, Article 9 of the Code of West Virginia, 1931, as amended (the "Audit Act"), the State Auditor, as the chief inspector and supervisor of public offices (the "Chief Inspector") is charged with the responsibility of (1) formulating, prescribing and installing a system of accountability for all local units of government in West Virginia, including municipalities, and (2) examining the financial affairs of every local government office or political subdivision and all boards, commissions, authorities, agencies or other offices. The Issuer is a local government under the Audit Act. Accordingly, pursuant to Section 7 of the Audit Act, an audit of the Issuer's finances must be accomplished by the Chief Inspector or any person appointed by him. Accordingly, the actions or lack of actions of the Chief Inspector may adversely impact the ability to have the annual audited financial information required to be submitted to EMMA pursuant to the Continuing Disclosure Agreement. See "CONTINUING DISCLOSURE" herein. Additionally, the Issuer has no power to require the Chief Inspector to take any action required under such procedures that would ensure the completion of the audit to meet the timely filing of such information. The Sanitary Board is included as part of the audit of the Issuer. See "APPENDIX C – FINANCIAL STATEMENTS OF THE ISSUER."

Limitation on Remedies and Limited Recourse on Default

The remedies available to the owners of the Series 2018 Bonds upon the occurrence of an event of default with respect to the Series 2018 Bonds are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition, the rights and remedies of the owners of the Series 2018 Bonds under the Ordinance and state law may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditor's rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities and sanitary boards in the State of West Virginia. The opinions delivered by Bond Counsel concurrently with the issuance of the Series 2018 Bonds will be subject to such limitations and the various legal opinions to be delivered concurrently with the issuance of the Series 2018 Bonds will be similarly qualified. See "APPENDIX E – PROPOSED FORM OF BOND COUNSEL OPINION."

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the Series 2018 Bonds or, if a secondary market exists, that any Series 2018 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Accordingly, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

LITIGATION

There is no litigation or other proceeding pending or, to the knowledge of the Issuer, threatened to restrain or enjoin the issuance, sale, or delivery of the Series 2018 Bonds, or in any way contesting the validity or enforceability of the Series 2018 Bonds, or the proceedings pursuant to which the Series 2018 Bonds are issued.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the unqualified approving opinion of Steptoe & Johnson PLLC, Bond Counsel, whose opinion will be delivered concurrently with the delivery, upon original issuance, of the Bonds. Certain legal matters will be passed upon for the Issuer by Harrold & Kramer, PLLC doing business as Mountain State Law, as counsel to the Issuer, and Bowles Rice LLP will pass upon certain matters as counsel for the Underwriter.

TAX MATTERS

General

In the opinion of Bond Counsel, under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Series 2018 Bonds (i) is excludable from gross income of the holders thereof for federal income tax purposes, assuming compliance with certain provisions described herein pertaining to the Code; (ii) is not a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the federal alternative minimum tax imposed on individuals and corporations; although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income for taxable years that began prior to January 1, 2018; and (iii) under the laws of the State of West Virginia, the Series 2018 Bonds, and the interest thereon, are exempt from taxation by the State of West Virginia and or any county, municipality, political subdivision or agency thereof.

The opinions described in this section are subject to the condition that the Issuer comply on a continuing basis with all requirements of the Code, and regulations thereunder that must be satisfied for interest on the Series 2018 Bonds to be or continue to be excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements could cause the interest on the Series 2018 Bonds to be included in the gross income of the recipients thereof for purposes of federal income taxation, including retroactively to the date of issuance of the Series 2018 Bonds.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Ordinance and the Tax Certificate relating to the Series 2018 Bonds permit certain actions to be taken or to be omitted if a favorable opinion of a bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest on any Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Series 2018 Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series 2018 Bonds might be affected as a result of such an audit of the Series 2018 Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Series 2018 Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Series 2018 Bonds or their market value.

Special Considerations with Respect to the Series 2018 Bonds

The accrual or receipt of interest on the Series 2018 Bonds may otherwise affect the federal income tax liability of the owners of the Series 2018 Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Prospective purchasers should be aware of certain collateral consequences which may result under federal tax law for certain holders of the Series 2018 Bonds: (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2018 Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Series 2018 Bonds, (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for losses incurred by 15 percent of the sum of certain items, including interest on the Series 2018 Bonds, (iii) interest on the Series 2018 Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iv) passive investment income, including interest on the Series 2018 Bonds, may be subject to federal income taxation under Section 1375 of the Code for an S Corporation that has Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such S Corporation is passive investment income, (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income receipts or accruals of interest on the Series 2018 Bonds, and (vi) receipt of investment income, including interest on the Series 2018 Bonds, may, pursuant to Section 32(i) of the Code, disqualify the recipient from obtaining the earned income credit provided by Section 32(a) of the Code.

Backup Withholding

Interest paid on tax-exempt obligations such as the Series 2018 Bonds is generally required to be reported by payors to the IRS and to recipients in the same manner as interest on taxable obligations. In addition, such interest may be subject to "backup withholding" if the Bondholder fails to provide the information required on IRS Form W-9, Request for Taxpayer Identification Number and Certification, or the IRS has specifically identified the Bondholder as being subject to backup withholding because of prior underreporting. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Series 2018 Bonds from gross income for federal tax purposes.

Changes in Federal and State Tax Law

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Series 2018 Bonds, including legislation, court decisions, or administrative actions, whether at the federal or state level, may affect the tax exempt status of interest on the Series 2018 Bonds or the tax consequences of ownership of the Series 2018 Bonds. No assurance can be given that future legislation, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the Series 2018 Bonds from gross income for federal income tax purposes or any state tax benefit. Tax reform proposals and deficit reduction measures, including the limitation of federal tax expenditures, are expected to be under ongoing consideration by the United States Congress. These efforts to date have included proposals to reduce the benefit of the interest exclusion from income for certain holders of tax-exempt bonds, including bonds issued prior to the

proposed effective date of the applicable legislation. Future proposed changes could affect the market value or marketability of the Series 2018 Bonds, and, if enacted, could also affect the tax treatment of all or a portion of the interest on the Series 2018 Bonds for some or all holders. Holders should consult their own tax advisors with respect to any of the foregoing tax consequences.

In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2018 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2018 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2018 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2018 Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Qualified Tax-Exempt Obligations

Subject to the Issuer's compliance with certain covenants, in the opinion of Bond Counsel, the Series 2018 Bonds are "qualified tax-exempt obligations" under the small issuer exception provided under Section 265(b)(3) of the Code, which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code.

The Issuer has designated the Series 2018 Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Code, to the extent the Series 2018 Bonds are not deemed designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3)(D)(ii) of the Code. The Issuer and County have represented that the Series 2018 Bonds do not constitute private activity bonds as defined in Section 141 of the Code, and not more than $10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income tax purposes (excluding, however, obligations described in Section 265(b)(3)(C)(ii) of the Code), including the Series 2018 Bonds, have been or shall be issued by the Issuer, including all subordinate entities of the Issuer, during the calendar year 2018.

Original Issue Discount

Original issue discount ("OID") is the excess, if any, of the stated redemption price at maturity over the issue price. The issue price is the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of the debt instrument was sold. The Series 2018 B Bonds maturing on December 1, 2025, December 1, 2028, and December 1, 2037 (collectively, the "Discount Bonds"), were sold with OID. For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded annually (or over a shorter permitted compounding interval selected by the owner). The portion of the OID that accrues during the period of ownership of a Discount Bond (i) will be interest excludable from the owners' gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Series 2018 Bonds, and (ii) will be added to the owner's tax basis for purposes of determining a gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond. A purchaser of a Discount Bond in the initial public offering at the price for that Discount Bond stated on the inside front cover page of this Official Statement who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond.

Owners of Discount Bonds should consult their own tax advisors as to the determination for federal income tax purposes of the amount of OID properly accruable in any period with respect to the Discount Bonds as to other federal tax consequences, and the treatment of the OID for purposes of state and local taxes on, or based on, income.

Original Issue Premium

The Series 2018 A Bonds (the "Premium Bonds") were sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity in the case of the "Noncallable Premium Bonds" or their earlier call date in the case of the "Callable Premium Bonds." The difference between the principal amount payable at maturity of the Noncallable Premium Bonds and the tax basis of a Noncallable Premium Bond to a purchaser and the difference between the amount payable at the call date of the Callable Premium Bonds that minimizes the yield to a purchaser of a Callable Premium Bond and the tax basis to a purchaser (in either case, other than a purchaser who holds a Premium Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) will be "bond premium." For federal income tax purposes, bond premium is amortized over the period to maturity of a Noncallable Premium Bond. A purchaser of a Premium Bond will be required to decrease his or her adjusted basis in the Premium Bond by the amount of amortizable bond premium attributable to each taxable year he or she holds the Premium Bond. The amount of amortizable bond premium attributable to a taxable year will be determined at a constant interest rate compounded annually. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond.

Owners of Premium Bonds should consult their own tax advisors as to the determination for federal income tax purposes of the amount of bond premium properly accruable in any period with respect to the Premium Bonds as to other federal tax consequences, and the treatment of the bond premium for purposes of state and local taxes on, or based on, income.

UNDERWRITING

The Series 2018 Bonds are being purchased by the Underwriter named on the cover of this Official Statement. The Bond Purchase Agreement provides that the Underwriter will purchase all of the Series 2018 A Bonds, if any are purchased, at a purchase price of $1,348,147.20 (representing the par amount thereof, $1,310,000.00, less an Underwriter's discount of $26,200.00, plus a reoffering premium in the amount of $64,347.20), and the Underwriter will purchase all of the Series 2018 B Bonds at a purchase price of $2,188,044.90 (representing the par amount thereof, $2,255,000.00, less an underwriter's discount of $45,100.00, less original issue discount in the amount of $21,855.10). The obligation to make such purchase is subject to the terms and conditions set forth in the Bond Purchase Agreement, including the approval of certain legal matters by counsel. The Underwriter may change the initial public offering prices from time to time. The Underwriter may offer and sell Series 2018 Bonds to certain dealers (including dealers depositing Series 2018 Bonds into investment trusts) and certain dealer banks acting as agents at prices lower than the public offering prices stated on the cover page hereof, and such public offering price also may be changed without prior notice, from time to time, by the Underwriter.

FINANCIAL STATEMENTS

Included herein as Appendix C are the audited financial statements (and the report with respect thereto) of the Issuer as of June 30, 2016, prepared by Balestra, Harr & Scherer, CPAs, Inc. (the "Auditor") and the unaudited financial statements of the Issuer as of June 30, 2017 and related accountant's compilation report prepared by Jeremy D. Drennen, CPA, both of which financial statements include information with respect to the System. The Issuer has obtained the consent of the Auditor to include the audited financial statements as of June 30, 2016 in the Official Statement and the consent of Jeremy D. Drennen, CPA, to include the unaudited financial statements as of June 30, 2017 and related accountant's compilation report in the Official Statement.

CONTINUING DISCLOSURE

The Issuer has agreed to an undertaking (the "Undertaking") for the benefit of the Registered Owners of the Series 2018 Bonds to provide certain financial and operating information (the "Annual Financial Information") not later than the last day of the fiscal year (presently ending June 30) immediately following the end of the Issuer's fiscal year for which disclosure is due, commencing with the report for the fiscal year ending June 30, 2018, and to provide notice of the occurrence of enumerated events, all as further described in the Continuing Disclosure Agreement to be entered by the Issuer in substantially the form attached as Appendix H hereto. The Annual Financial Information and each notice of enumerated events are required to be filed electronically by United Bank, as dissemination agent on behalf of the Issuer, with the Electronic Municipal Markets Access system ("EMMA").

This continuing disclosure obligation is being undertaken by the Issuer to assist the Underwriter in complying with Rule 15c2-12 promulgated by the SEC. The Issuer has agreed to give notice in a timely manner to EMMA. However, any such failure will not constitute a default under the terms of the Ordinance or the Series 2018 Bonds. Under the Continuing Disclosure Agreement, the sole remedy for such failure is to seek an order for specific performance. See "APPENDIX H–FORM OF CONTINUING DISCLOSURE AGREEMENT." Registered Owners may contact Ronnie Davis, the City Manager of the Issuer at City of Salem, Box 352, Salem, West Virginia 26426, Phone 304-782-1318, for more information.

Prior Continuing Disclosure Undertakings

The Issuer has not previously entered into any continuing disclosure agreements with respect to any of its prior bonds.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such statements will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract or agreement with the purchasers or owners of the Series 2018 Bonds.

Copies of the Ordinance, the Undertaking, the Act and other applicable documents may be obtained from the Issuer at the following address:

City of Salem
229 West Main Street
P.O. Box 352
Salem, West Virginia 26426
Phone: 304-782-1318

or, during the period of offering the Series 2018 Bonds, from the Underwriter. Ongoing financial information may be obtained from the Issuer at the address set forth above.

This Official Statement has been duly approved and its execution and distribution authorized by the Issuer and the Sanitary Board.

CITY OF SALEM, WEST VIRGINIA

By: /s/ James Robert Samples
Mayor

SALEM SANITARY BOARD

By: /s/ Ronnie Davis
Chairman

APPENDIX A

CITY OF SALEM, WEST VIRGINIA AND HARRISON COUNTY, WEST VIRGINIA ECONOMIC AND DEMOGRAPHIC DATA

The City is located in western Harrison County, West Virginia, along Salem Fork, a tributary of Tenmile Creek, in the north central portion of the State. The City has a total area of 1.34 square miles.

Government

The City was first chartered as the Town of New Salem in 1794 by legislative enactment of the Virginia Assembly and was incorporated as the City of Salem by the State of West Virginia on February 25, 1905. The City presently operates under the manager-mayor form of government pursuant to a charter adopted as of July 1, 1996. The City is governed by a six-member City Council elected for a two-year term by the voters of the City. The Mayor and the members of City Council and their current terms are as follows:

		Term of Office
Mayor	James Robert Samples	7/1/17 – 6/30/21
Council Members	Shawnette Stout	11/14/17 – 6/30/19
	Isaac Samples	7/1/17 – 6/30/21
	John Golden	7/1/17 – 6/30/21
	John Sinnett	7/1/15 – 6/30/19
	Nancy Siders	11/28/17 – 6/30/19
	Judith Davisson	7/1/17 – 6/30/21
City Manager	Ronnie Davis	

The duly appointed City Clerk of the City is Kayla Nicholas.

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USA Towns in Profile: City of Salem, West Virginia

People & Housing	
Population Estimate (2016)	1,552
H.S. Diploma or More - % of Adults 25+ (2016)	84.30%
Bachelor's Deg. or More - % of Adults 25+ (2016)	18.20%
Households (2016)	570
Total Housing Units (2016)	751
Percent of Total Units Vacant for Seasonal or Recreational Use (2016)	1.60%
Source: U.S. Census Bureau, American Community Survey, latest 5-Year Estimates	

Employment & Income	
Labor Force (persons working in the area) (2016)	643
Unemployment Rate (2016)	6.8
Median Household Income (2016)	$35,000
Median Family Income (2016)	$42,784
Poverty Rate (2016)	21.9
Mean Travel Time to Work (minutes) (2016)	23.1
Source: U.S. Census Bureau, American Community Survey, latest 5-Year Estimates	

Population By Age, 2016				
	City of Salem, West Virginia	Pct. of Total	West Virginia	Pct. of Total
Total	1,552	100%	1,846,092	100%
Preschool (0 to 4)	132	8.50%	101,908	5.50%
School Age (5 to 17)	230	14.80%	277,940	15.10%
College Age (18 to 24)	277	17.80%	169,126	9.20%
Young Adult (25 to 44)	348	22.40%	446,781	24.20%
Adult (45 to 64)	342	22.00%	522,213	28.30%
Older Adult (65 plus)	223	14.40%	328,124	17.80%
Median Age*	34.2		41.9	
Source: U.S. Census Bureau, American Community Survey, latest 5-Year Estimates				
**Median Age is averaged for combined areas*				

Population by Race and Hispanic Origin, 2016				
	City of Salem, West Virginia	Pct. of Total	West Virginia	Pct. of Total
Total	1,552	100%	1,846,092	100%
American Ind. or Alaskan Native Alone	0	0.00%	3,281	0.20%
Asian Alone	4	0.30%	13,990	0.80%
Black Alone	53	3.40%	63,305	3.40%
Native Hawaiian and Other Pac. Isl. Alone	0	0.00%	648	0.00%
White Alone	1,485	95.70%	1,725,411	93.50%
Two or More Race Groups	10	0.60%	33,726	1.80%
Hispanic or Latino:				
Total Hispanic or Latino	13	0.80%	26,247	1.40%
Mexican	9	0.60%	11,585	0.60%
Cuban	0	0.00%	1,273	0.10%
Puerto Rican	0	0.00%	5,059	0.30%
Other	4	0.30%	8,330	0.50%
Source: U.S. Census Bureau, American Community Survey, latest 5-Year Estimates				

Educational Attainment, 2016				
	City of Salem, West Virginia	Pct. of Total	West Virginia	Pct. of Total
Total Population 25 and Older	913	100.00%	1,297,118	100.00%
Less Than 9th Grade	35	3.80%	64,047	4.90%
9th to 12th, No Diploma	108	11.80%	126,101	9.70%
High School Graduate (incl. equiv.)	343	37.60%	524,971	40.50%
Some College, No Degree	218	23.90%	240,404	18.50%
Associate Degree	43	4.70%	87,889	6.80%
Bachelor's Degree	98	10.70%	153,834	11.90%
Graduate or Professional Degree	68	7.40%	99,872	7.70%
Source: U.S. Census Bureau, American Community Survey, latest 5-Year Estimates				

Households, 2016				
	City of Salem, West Virginia	Pct. of Total	West Virginia Households	Pct. of Total
Total Households	570	100.00%	739,397	100.00%
Family Households	387	67.90%	478,833	64.80%
Married with Children	89	15.60%	116,125	15.70%
Married without Children	152	26.70%	244,165	33.00%
Single Parents	96	16.80%	59,794	8.10%
Other	50	8.80%	58,749	7.90%
Non-family Households	183	32.10%	260,564	35.20%
Living Alone	146	25.60%	220,872	29.90%
Average Household Size	2.4		2.4	
Average Family Household Size	3		3	
Source: U.S. Census Bureau, American Community Survey, latest 5-Year Estimates				

Housing Units, 2016				
	City of Salem, West Virginia	Pct. of Total	West Virginia Units	Pct. of Total
Total Housing Units	751	100.00%	884,728	100.00%
Owner Occupied	381	50.70%	535,940	60.60%
Renter Occupied	189	25.20%	203,457	23.00%
Vacant For Seasonal or Recreational Use	12	1.60%	44,769	5.10%
1-Unit (Attached or Detached)	451	60.10%	547,618	61.90%
2 - 9 Units	49	6.50%	52,881	6.00%
10 - 19 Units	3	0.40%	12,509	1.40%
20 or more Units	26	3.50%	19,044	2.20%
Built prior to 1940	366	48.70%	144,522	16.30%
Source: U.S. Census Bureau, American Community Survey, latest 5-Year Estimates				

Resident Occupations, 2016				
	City of Salem, West Virginia	Pct. of Total	West Virginia	Pct. of Total
Employed civilian pop. 16 years and over	599	100.00%	750,412	100.00%
Management, professional, and related	104	17.40%	242,501	32.30%
Service	205	34.20%	144,963	19.30%
Sales and office	156	26.00%	179,113	23.90%
Farming, fishing, and forestry	0	0.00%	3,342	0.40%
Construction, extraction, and maintenance	52	8.70%	83,769	11.20%
Production, transportation, and material moving	82	13.70%	96,724	12.90%
Source: U.S. Census Bureau, American Community Survey, latest 5-Year Estimates				

**The data in the charts above come from the following source: http://www.statsamerica.org/town. StatsAmerica is a service of the Indiana Business Research Center at Indiana University's Kelley School of Business. This initiative is funded in part by the U.S. Commerce Department's Economic Development Administration.)*

Population

As of the 2010 Census, there were 1,586 people, 662 households and 384 families residing in the City. The median age of the City's population is approximately 36.1.

In 2000, there were 2,006 people, 745 households, and 397 families residing in the City. The median age of the City's population was approximately 30.6

The population change between 2000 and 2010 was -420 people, or -20.94% of the population.

Median family income levels in the City (as of 2000, the most recent year for which data is available) are approximately $27,688, and per capita income is $11,188.

[Source: U. S. Census 2010; U.S. Census 2000]

USA Counties in Profile: Harrison County, West Virginia

People & Income Overview (By Place of Residence)	Value	Rank in U.S.	Industry Overview, 2016 (By Place of Work)	Value	Rank in U.S.
Population (2016)	68,400	784	Covered Employment	35,206	629
Growth (%) since 2010 Census	-1.00%	1,689	Avg Wage per Job	$45,728	465
Households (2016)	27,652	744	Manufacturing - % All Jobs in County	4.40%	2,204
Labor Force (persons) (2016)	32,181	768	Avg Wage per Job	$54,734	723
Unemployment Rate (2016)	5.8	960	Transportation & Warehousing - % All Jobs in County	4.90%	534
Per Capita Personal Income (2016)	$42,664	1,027	Avg Wage per Job	$53,816	372
Median Household Income (2016)	$46,548	1,712	Health Care, Social Assist. - % All Jobs in County	19.10%	242
Poverty Rate (2016)	14.6	1,616	Avg Wage per Job	$48,712	402
High School Diploma or More - % of Adults 25+ (2016)	87.70%	1,466	Finance and Insurance - % All Jobs in County	1.90%	1,874
Bachelor's Degree or More - % of Adults 25+ (2016)	21.60%	1,466	Avg Wage per Job	$52,380	960

**The data in the charts above come from the following source: http://www.statsamerica.org/county. StatsAmerica is a service of the Indiana Business Research Center at Indiana University's Kelley School of Business. This initiative is funded in part by the U.S. Commerce Department's Economic Development Administration.)*

Annual Report on the Civilian Labor Force, Employment, and Unemployment

For:

Harrison County, West Virginia

Annual Average Labor Force Statistics

	2016	2015	2014	2013	2012	2011	2010
Civilian Labor Force	32,180	31,890	31,830	31,770	31,410	31,380	31,250
Employment	30,320	29,870	30,110	30,010	29,360	29,140	28,870
Unemployment	1,860	2,020	1,720	1,760	2,050	2,240	2,380
Unemployment rate	5.8	6.3	5.4	5.5	6.5	7.1	7.6

Annual Average Total Nonfarm Payroll Employment by Industry

Total nonfarm	37,480	37,540	37,880	37,120	36,060	35,780	35,160
Total private	29,280	29,520	29,860	28,910	27,700	27,460	26,790
Goods-producing	4,250	4,490	5,130	4,710	4,320	4,360	4,020
Mining and logging	930	990	1,240	1,160	1,020	970	720
Construction	1,800	1,890	2,220	1,860	1,520	1,520	1,510
Manufacturing	1,520	1,610	1,660	1,700	1,780	1,880	1,790
Service-providing	33,240	33,050	32,750	32,410	31,740	31,410	31,140
Private service-providing	25,040	25,030	24,730	24,200	23,380	23,100	22,770
Trade, transportation, and utilities	8,110	8,150	7,990	7,740	7,490	7,720	7,630
Wholesale Trade	1,380	1,500	1,460	1,350	1,230	1,170	1,150
Retail trade	4,740	4,730	4,700	4,740	4,680	4,680	4,590
Transportation and warehousing	1,990	1,930	1,820	1,660	1,580	1,880	1,890
Information	540	550	530	540	580	610	610
Professional and business servic..	3,540	3,480	3,430	3,310	3,020	2,840	2,670
Education and health services	6,160	6,070	5,970	5,910	5,770	5,600	5,410
Leisure and hospitality	3,340	3,310	3,280	3,260	3,140	2,990	3,090
Other services	2,170	2,220	2,290	2,310	2,290	2,280	2,310
Government	8,200	8,020	8,020	8,210	8,360	8,320	8,370
Federal	3,980	3,860	3,940	4,110	4,110	4,100	4,170
State government	970	960	960	1,030	1,060	1,070	1,040
Local government	3,260	3,200	3,120	3,080	3,190	3,140	3,150

**Source: WorkForce West Virginia – http://workforcewv.org/public-information.html*

Economic Activity

The December 2017 unemployment rate (the most recent month for which data is available) for Harrison County was 4.8% and for the State it was 5.5%. Annual unemployment rates for the past five years in Harrison County, West Virginia, and the United States were as follows:

Year	Harrison County	West Virginia	United States
2017	4.8%	5.0%	4.4%
2015	6.3%	6.7%	5.3%
2014	5.4%	6.6%	6.2%
2013	5.5%	6.7%	7.4%

[Source: U.S. Bureau of Labor and Statistics]

Major employers in Salem, West Virginia are as follows:

Employer	Approximate Employment/Occupants
Salem Correctional Center	148 Employees, 388 Inmates
Salem Center, a Genesis Healthcare Facility	80 Employees, 74 patients
Salem International University	75 Employees, 40 Students on Campus
Salem Elementary School	45 Employees, 276 Students
Salem IGA	42 Employees

[Source: City of Salem]

Salem International University, with a student enrollment of approximately 848, is located in the City.

[Source: National Center for Education Statistics]

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Major employers in Harrison County are as follows:

Employer	Approximate Employment
U.S. Department of Defense	500+
United Hospital Center	500+
VA Hospital	500+
Wal-Mart	500+
Pratt & Whitney Engine Services	200-499
Bombardier Services Corp.	200-499
Mountain State Auto Auction	200-499
W.V. Department of Highways	200-499
GrafTech International Holdings	200-499
Dominion Transmission Corp.	200-499

[Source: West Virginia Department of Commerce]

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APPENDIX B

THE SYSTEM AND THE SANITARY BOARD

Pursuant to Chapter 16, Article 13 of the Code of West Virginia, 1931, as amended, and an ordinance adopted January 12, 1993, custody, administration, operation and maintenance of the System are under the supervision and control of the Sanitary Board. City Council retains the power to establish and modify rates and charges for the use of services provided by the System and to issue bonds on behalf of the City secured by the Net Revenues of the System for the purpose of paying the costs of improvements and extensions to the System.

Balestra, Harr & Scherer, CPAs, Inc. (the "Auditor") has prepared audited Annual Financial Reports for the Issuer for the fiscal year ending June 30, 2016 (the "Audit") which include certain information relating to the System. The unaudited financial statements of the Issuer as of June 30, 2017 and related accountant's compilation report prepared by Jeremy D. Drennen, CPA, also include certain information relating to the System. Certain data contained in the Audit and unaudited financial statements of the Issuer as of June 30, 2017 has been summarized in this Official Statement and attributed when so summarized; data not attributed has been provided by the City or the Sanitary Board in one or more reports, studies or certifications, including Annual Reports filed with the West Virginia Public Service Commission. For additional and more complete information, reference should be made to the Sanitary Board itself or to the Audit for the fiscal year ending June 30, 2016, and unaudited financial statements of the Issuer as of June 30, 2017 and related accountant's compilation report prepared by Jeremy D. Drennen, CPA, copies of which are included in Appendix C.

The Series 2018 Bonds have a first, equal and pro rata lien on all the Net Revenues derived from the operation of the System. The Series 2018 Bonds are limited special revenue obligations of the Issuer payable solely from the Net Revenues derived from the operation of the System. The Series 2018 Bonds are not general obligations of the Issuer, and the holders or owners thereof shall have no right to have excises or taxes levied by the Issuer, the State of West Virginia or any political subdivision thereof for the payment of the principal, premium, if any, or interest on the Bonds. (See "APPENDIX F – FORMS OF BOND ORDINANCE, SUPPLEMENTAL PARAMETERS RESOLUTION AND CERTIFICATE OF DETERMINATIONS.")

NEITHER THE GENERAL CREDIT OF THE CITY OF SALEM NOR THAT OF HARRISON COUNTY OR THE STATE OF WEST VIRGINIA OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS, AND THE OWNERS AND HOLDERS THEREOF ARE GIVEN NO RIGHT TO HAVE ANY EXCISES OR TAXES LEVIED BY THE LEGISLATURE OF THE STATE OF WEST VIRGINIA, THE CITY COUNCIL OF THE CITY OF SALEM OR THE TAXING AUTHORITY OF ANY OTHER POLITICAL SUBDIVISION OF THE STATE FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

THE SYSTEM

Description

The System consists of approximately 8.56 miles of combined stormwater and sanitary sewer gravity sewer lines, approximately 0.92 miles of force main sewer lines, 2 sewage lift stations, and a 400,000 gallon per day wastewater treatment plant. The wastewater treatment plant is located in the eastern portion of the City on 3.65 acres of property owned by the City. The System provides sewage collection and treatment services to more than 99% of the population of the City and to a small number of customers outside the corporate boundaries of the City. The System is a "combined system" in that both storm water run-off and sanitary sewage enter the System. One of the purposes of the Project is to reduce the inflow and infiltration of storm water into the System. Accordingly, after completion of the Project the

8.56 miles of combined gravity sewer lines are intended to become primarily gravity sanitary sewer lines and that the System will become primarily a sanitary sewage system. Treated effluent is discharged into the Salem Fork, a tributary of Tenmile Creek.

The original wastewater treatment plant began operating in 1964. In 1996, a new wastewater treatment facility was constructed, replacing the 1964 plant. The facility is designed for an average daily flow of 400,000 gallons per day. The new treatment plant is located on 3.65 acres of City property located on the eastern side of the City (the "Treatment Plant").

The Treatment Plant currently produces approximately 92.85 wet tons of sewage sludge annually. The sludge dewatering and disposal facilities utilize continuous belt filter presses to convert the liquid sludge from the wastewater treatment processes into filter cake which contains approximately 27.8% solids and 72.2% water. The filter cake is then hauled to a landfill via truck and trailer for disposal.

Currently, an average daily flow volume of approximately 480,000 gallons per day is received at the Treatment Plant. The chart below reflects the gallons of water treated each month by the Treatment Plant and includes the estimated percentage of inflow and infiltration for each year. As referenced above, one of the purposes of the Project is to reduce such inflow and infiltration, allowing the Treatment Plant to operate within the design capacity.

CITY OF SALEM (WEST VIRGINIA)
PUMPING AND PURCHASE WASTEWATER TREATMENT STATISTICS

Time Frame	Gallons of Water Treated Per Month at Treatment Plant (in 000's)						
Month	2017	2016	2015	2014	2013	2012	2011
July	10,581	11,783	10,500	15,594	3,297	9,677	12,988
August	16,323	5,854	11,160	14,851	3,698	9,110	10,618
September	8,150	7,389	9,232	11,270	3,329	14,747	8,920
October	15,341	8,217	11,441	8,986	3,765	22,012	10,153
November	8,503	8,077	13,826	12,904	3,347	17,484	11,805
December	20,637	15,628	14,240	19,235	3,230	18,773	13,776
January	19,773	13,683	16,594	16,458	3,737	17,436	13,218
February	13,368	17,958	13,903	17,508	3,545	12,486	14,186
March	18,239	17,276	22,485	12,711	2,926	18,014	20,920
April	19,121	13,609	22,616	12,977	3,680	8,863	21,021
May	15,010	19,351	9,059	16,271	2,638	11,402	14,528
June	8,832	9,994	10,853	16,202	3,459	7,180	9,469
Total	173,878	148,819	165,909	174,967	40,651	167,184	161,601
Inflow & Infiltration	72.47%	69.68%	69.61%	73.79%	-0.06%	75.76%	73.92%

Source: WV Public Service Commission (WV)

Management

Sanitary Board: The Sanitary Board is appointed by City Council and consists of the City Manager as Chairman and two other persons, who are appointed for three (3) year terms.

The present membership of the Sanitary Board is as follows:

Chairman: Ronnie Davis
Member: Blair Nutter
Member: John Lowe

Management: City Manager, Ronnie Davis, has been employed by the City of Salem since 1985 starting out as a public works employee. Mr. Davis advanced to Assistant Public Works Director in 1992 and Public Works Director in 2000. Mr. Davis was promoted to City Manager in 2014.

Chief Operator George Parker is a Class II Wastewater Operator. Mr. Parker has been employed by the City of Salem since 2000. Mr. Parker began his career at the Treatment Plant working under Chief Operator, Allen George, who had over 30 years of experience.

Class II Wastewater Operator Gary White has been employed by the City of Salem since 2006. Prior to working at the Treatment Plant, Mr. White operated the municipal pool and worked in the City public works department.

Class I Wastewater Operator Boyd Pratt Jr. has been employed by the City of Salem since 2014. Mr. Pratt has passed his Class II Operator's test and is in the process of completing the required hours for certification by May 2018. Prior to working at the Treatment Plant, Mr. Pratt worked in the City public works department.

There are currently 3 operators in training scheduled to test in May 2018 to become Class I Wastewater Operators. Mr. Nelson Law has been employed by the City since 2016. Mr. Jeremy Sheuvront has been employed by the City since 2014. Mr. Jayson Bartley has been employed by the City since 2001.

Jeff Petry, Project Engineer for E.L Robinson Engineering, is the consulting engineer for the System.

Employees and Payroll

As of June 30, 2018, the Sanitary Board directly employed 3 full-time personnel, most of whom work at the Treatment Plant. Wage levels for non-supervisory employees of the Sanitary Board are determined by the Board. The fiscal year 2018 payroll (including benefits) is budgeted at $95,000.

Operations

The System treated an average of 476,378 gallons during fiscal year 2017, with daily averages during the peak month of December 2016 at 665,710 gallons per day. The effluent biological demand (BOD) averaged 94 milligrams per liter with an overall efficiency of 94 percent for the year. Suspended solids in the effluent averaged 88 milligrams per liter with an overall removal efficiency of 88 percent for the year.

The System currently operates under NPDES (WV 0020257) permit issued by the West Virginia Department of Environmental Protection, Water Resources Section. The permit was issued April 30, 2014, has an effective date of June 1, 2014 and expires April 29, 2019.

The customers of the System are billed based upon potable water usage. The following charts reflect such water usage as well as Customer Count by Type and the System's Top Ten Customers:

Annual Water Usage History By Source - City of Salem, WV Sewer System

Year Ended (June 30)	Residential Gallons	Commercial Gallons	Industrial Gallons	Public Authority Gallons	Resale Gallons	Total Gallons
2017	21,737,000	13,358,000	380,700	12,400,000	0.00	47,875,700
2016	21,251,000	12,117,000	282,000	11,477,000	0.00	45,127,000
2015	20,645,000	15,348,000	303,000	14,123,000	0.00	50,419,000
2014	20,926,000	15,076,000	283,000	9,572,000	0.00	45,857,000
2013	21,372,000	15,345,000		3,958,000	0.00	40,675,000
2012	21,891,000	13,828,000		4,799,000	0.00	40,518,000
2011	22,260,000	14,234,000		5,653,000	0.00	42,147,000
2010	24,915,000	16,081,000		5,296,000	0.00	46,292,000

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Daily Water Usage History by Source - City of Salem, WV Sewer System

Year Ended (June 30)	Residential Gallons	Commercial Gallons	Industrial Gallons	Public Authority Gallons	Resale Gallons	Total Gallons
2017	59,553	36,597	1,044	33,973	-	131,167
2016	58,222	33,197	773	31,444	-	123,636
2015	56,562	42,049	830	38,693	-	138,134
2014	57,332	41,304	775	26,225	-	125,636
2013	58,553	42,041	-	10,844	-	111,438
2012	59,975	37,885	-	13,148	-	111,008
2011	60,986	38,997	-	15,488	-	115,471
2010	68,260	44,058	-	14,510	-	126,827

Customer Count by Type - City of Salem, WV Sewer System

Year Ended (June 30)	Residential	Commercial	Industrial	Public Authority	Resale	Total
2017	638	78	13	16	0	745
2016	635	79	13	15	0	742
2015	631	83	13	14	0	741
2014	630	82	13	14	0	739
2013	642	82	0	14	0	738
2012	639	82	0	14	0	735
2011	617	77	0	10	0	704
2010	639	77	0	8	0	724

Top Ten Customers Measured by Volume and as a Percentage of Total Volume

July 2016 to June 2017

Customer		Volume		% of Volume
Salem Correctional Center		11,921,300		26%
Genesis		5,522,700		12%
SIU		2,990,600		7%
Randolph Terrace Apt		1,446,000		3%
Res-Care		701,600		2%
Salem Manor Apartments		660,100		1%
Parklake Estates		407,100		1%
Mountain Cap of WV		649,100		1%
Harrison Co Board of Education		250,900		1%
West End Car Wash LLC		280,400		1%

Top Ten Customers Measured by Revenue and as a Percentage of Total Revenue

July 2016 to June 2017

Customer		Revenue		% of Revenue
Salem Correctional Center		$ 168,744.09		21%
Genesis		$ 77,679.16		10%
SIU		$ 46,623.73		6%
Randolph Terrace Apt		$ 20,771.95		3%
Res-Care		$ 10,027.93		1%
Salem Manor Apartments		$ 9,782.03		1%
Parklake Estates		$ 5,804.98		1%
Mountain Cap of WV		$ 9,627.47		1%
Harrison Co Board of Education		$ 4,088.97		1%
West End Car Wash LLC		$ 4,024.86		1%

Rates

Authority: Pursuant to the Act, the governing body of a municipality must establish and maintain rates and charges for the use of and the service rendered by its municipal sewage system sufficient to provide for the operation and maintenance of the System and for the payment of sums required to be paid as debt service on bonds secured by the Net Revenues of the System.

The Act provides that rates and charges shall be established by ordinance, but only after the ordinance has been advertised and a public hearing has been held.

Rates and charges established by municipally operated sewer utilities must be just, reasonable, applied without unjust discrimination or preference and based primarily on the costs of providing service. Such rates and charges are subject to regulatory review by the Commission described in "Investment Considerations" herein. For more information on the Issuer's current rates and charges for the System, see "Appendix G – Rate Tariff."

Rates: The rates currently charged to users of the System are detailed in the following table. These rates became effective May 19, 2011.

Monthly Usage Gallons	Charge per 1,000 Gallons
First 2,000 gal of water used per month	$35.20
All over 2,000 gal of water used per month	$14.05

The Minimum Metered Rate is $35.20 per month regardless of whether the customer uses all of the 2,000 gallons of water referenced above; an Unmetered Flat Rate of $56.27 is charged to System customers who are not on a potable water system. A Tap Inspection Fee of $200 is charged to new customers at the time of connection to the System.

Based upon current sewer rates, the average monthly residential sewer bill is approximately $70.33 for 4,500 gallons of water used.

Billing of Customers: The City is responsible for the billing of the customers of the Sanitary Board as well as the customers of the water system operated by the City. The Sanitary Board reimburses the City for the administrative costs associated with such billing.

The City terminates the water service of a customer for non-payment of sewer charges on behalf of the Sanitary Board. There is no charge for terminations and $25.00 is charged for reconnections.

Billing and Collection Experience – City of Salem, West Virginia Sewer System:

Year	Fees Billed	Fees Collected	% Collected
2017	$ 818, 409.76	$ 803, 437.85	98.17%
2015	$ 770, 138.02	$ 767, 770.74	99.69%
2015	$ 855, 182.48	$ 845, 799.67	98.90%
2014	$ 786, 329.96	$ 747, 876.77	95.11%
2013	$ 710, 359.00	$ 690, 668.00	97.23%

Billing and Collection Procedures

All bills are issued, collected and processed by the City on behalf of the Sanitary Board on a monthly basis and are due twenty (20) days after billing. Once an account is determined to be delinquent, a termination notice is sent advising that if the bill remains unpaid for ten (10) days, service will be terminated. Upon the expiration of said period, a request is issued for termination of the delinquent customer's water service by the City. Once terminated, water service will not be restored until the payment of all past bills, a reconnection charge of $25.00 and, in some instances, a new or additional security deposit.

Future Projects

The Series 2018 B Bonds are being issued to provide funds for the design, acquisition, construction and equipping of certain additions, betterments and improvements to the System, including the construction of approximately 2,700 linear feet of 18-inch corrugated HDPE storm sewer line, 32 "Type A" storm inlets, 11 precast concrete culvert headwalls, 3 "Type A" storm manholes, 7 sanitary manholes, 1,750 linear feet of 8-inch PVC gravity sewer, 600 linear feet of 4-inch PVC gravity customer lateral and other related appurtenances, and will also include the rehabilitation of the wastewater treatment plant's ultraviolet disinfection unit, belt sludge press, and non-potable water system.

There are no other projects planned for the System after the Project described above.

THE STATEMENT OF NET ASSETS AND THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2016 CAN BE FOUND IN THE AUDITED FINANCIAL STATEMENTS. See "Appendix C – Financial Statements of the Issuer"

Employees Retirement and Benefit Fund

All employees of the Sanitary Board are covered by the State of West Virginia Public Employee Retirement System (PERS). The Sanitary Board currently makes payments to the retirement system equal to 11% of payroll expense, which percentage is subject to change in the future. Employees hired before July 1, 2015 contribute 4.5% of their compensation to the retirement plan and employees hired on or after July 1, 2015 contribute 6% of their compensation to the retirement plan.

There is $53,268 in Net Pension Liability for the System in the Audit for the Fiscal Year ended June 30, 2016 and $88,333 in Net pension obligation for the System in the unaudited financial statements for the Fiscal Year ended June 30, 2017. The City participates in PERS which is a state-wide, cost-sharing, multiple employer defined benefit plan for public employees. The $53,268 and $88,333, respectively, reflect the System's proportionate share of the net pension liability of PERS. The foregoing information was obtained from the Audit of the City for the Fiscal Year ended June 30, 2016 and the unaudited financial statements of the City for the Fiscal Year ended June 30, 2017. For more information

on the System's net pension liability please see the Audit, the unaudited financial statements for the Fiscal Year ended June 30, 2017, and the notes thereto included in Appendix C. For additional information on State of West Virginia Public Employee Retirement System (PERS), please see the website at https://www.wvretirement.com.

There is also $135,592 in OPEB Liability for the System in the Audit for the City for Fiscal Year ended June 30, 2016, and $140,865 in other post-employment benefits payable in the unaudited financial statements for the Fiscal Year ended June 30, 2017. This is for health insurance benefits for employees of the Sanitary Board that retire. The foregoing information was obtained from the Audit of the City for the Fiscal Year ended June 30, 2016 and the unaudited financial statements of the City for the Fiscal Year ended June 30, 2017. For more information on the System's OPEB Liability please see the Audit, the unaudited financial statements for the Fiscal Year ended June 30, 2017, and the notes thereto included in Appendix C. For additional information on State of West Virginia Public Employee Retirement System (PERS), please see the website at https://www.wvretirement.com.

Method of Accounting

The Sanitary Board maintains its accounts on an accrual basis and in accordance with the guidelines of the PSC and generally accepted accounting principles. With respect to operating revenues and expenses, the Sanitary Board accounts are maintained in accordance with generally accepted accounting principles. See "Appendix C - "Financial Statements of the Issuer."

The information set forth in this Appendix B was provided by the Sanitary Board.

APPENDIX E

PROPOSED FORMS OF BOND COUNSEL OPINIONS

March 28, 2018

City of Salem
Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified)

City of Salem
Salem, West Virginia

Crews and Associates, Inc.
Morgantown, West Virginia

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the authorization, issuance, sale, and the initial delivery on the date hereof, by the City of Salem, West Virginia (the "Issuer") of its $1,310,000 aggregate principal amount of Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified) (the "Series 2018 A Bonds").

The Series 2018 A Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Ordinance duly enacted by the Issuer on July 25, 2017, as supplemented by a Supplemental Parameters Resolution and Conformed Ordinance duly adopted by the Issuer on February 13, 2018 and a Certificate of Determinations executed by the Mayor on March 8, 2018 (collectively, the "Ordinance"), and are subject to all the terms and conditions of the Ordinance. All capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Ordinance.

The Series 2018 A Bonds are issued in fully registered form, are dated March 28, 2018, mature on December 1 in the years and amounts and bear interest payable each June 1 and December 1, commencing December 1, 2018, all as set forth in the Ordinance.

The Ordinance provides that the Series 2018 A Bonds are issued for the purpose of: (i) currently refunding the Sewer Revenue Bonds, Series 1995 B, dated June 27, 1995, issued in the original aggregate principal amount of $2,000,000 (the "Series 1995 B Bonds"); (ii) funding the Series 2018 A Bonds Reserve Account; and (iii) paying costs of issuance of the Series 2018 A Bonds and related costs.

The Series 2018 A Bonds have been sold to Crews and Associates, Inc. (the "Original Purchaser"), pursuant to a Bond Purchase Agreement dated March 8, 2018 (the "Bond Purchase Agreement"), accepted by the Issuer.

In connection with our engagement as Bond Counsel, we have examined the law and such documents and matters as we have deemed necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the Issuer, the Original Purchaser and other entities contained in the Ordinance, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Tax Certificate and in the certified proceedings and other certifications of certain officials furnished to us without undertaking to verify the same by independent investigation and have relied upon, and have assumed, due compliance with the provisions of, the proceedings and other documents.

Based upon the foregoing, and assuming compliance with the covenants and representations of the Issuer and others set forth in the Ordinance, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Tax Certificate and such certifications, we are of the opinion, under existing law, that:

1. The Issuer is a duly organized and validly existing municipal corporation and political subdivision under and pursuant to the laws of the State of West Virginia, with full power and authority to adopt and enact the Ordinance, enter into the Bond Purchase Agreement, the Continuing Disclosure Agreement and the Tax Certificate, perform its obligations under the terms and provisions thereof and to issue and sell the Series 2018 A Bonds, all under the provisions of the Act and other applicable provisions of law.

2. The Issuer, through its governing body, has legally and effectively adopted and enacted the Ordinance; has authorized, executed and delivered the Bond Purchase Agreement, the Continuing Disclosure Agreement, and the Tax Certificate; has authorized the distribution of the Official Statement in connection with the marketing and sale of the Series 2018 A Bonds; and has issued and delivered the Series 2018 A Bonds to the Original Purchaser pursuant to the Bond Purchase Agreement. The Ordinance is in full force and effect as of the date hereof.

3. Assuming due authorization, execution and delivery by the other parties thereto, the Bond Purchase Agreement, the Continuing Disclosure Agreement and the Tax Certificate constitute valid, legal, binding and enforceable instruments of the Issuer in accordance with their respective terms.

4. The Series 2018 A Bonds have been duly authorized, executed and delivered by the Issuer and, assuming proper authentication, constitute valid and legally enforceable limited obligations of the Issuer, payable from, and secured by a lien on, the Net Revenues of the System, on a parity with the Issuer's Sewer Revenue Bonds, Series 2018 B (Bank Qualified), dated March 28, 2018, issued simultaneously herewith in the original aggregate principal amount of $2,255,000 (the "Series 2018 B Bonds"). The Series 2018 A Bonds are enforceable in accordance with their terms and the terms of the Ordinance, and are entitled to the benefits of the Ordinance and the Act.

5. We have examined the executed and authenticated Series 2018 A Bonds of said issue, and in our opinion, said Series 2018 A Bonds are in proper form and have been duly executed and authenticated.

6. Under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Bonds (a) is excludable from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended and the regulations promulgated thereunder (the "Code") and (b) is not an item of tax preference for purposes of the federal alternative minimum tax, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income for taxable years that began prior to January 1, 2018. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Code that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Ordinance, and in certain certificates delivered in connection with the issuance of the Bonds. Failure to comply with certain of such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds except as expressly set forth in this paragraph 6 and in paragraph 9 below.

7. Under the Act, the Series 2018 A Bonds and the interest thereon are exempt from all taxation by the State of West Virginia or any county, municipality, political subdivision or agency thereof.

8. The Series 2018 A Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and the West Virginia Uniform Securities Act, as amended, and it is not necessary, in connection with the public offering and sale of the Series 2018 A Bonds, to register any securities under said Securities Acts.

9. The Issuer has designated the Series 2018 A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code, and has covenanted that it does not reasonably expect to issue more than $10,000,000 of tax-exempt obligations (other than obligations described in Section 265(b)(3)(C)(ii) of the Code) during the calendar year 2018, determined in accordance with the Code. Therefore, based on the foregoing the Series 2018 A Bonds are "qualified tax-exempt obligations," within the meaning of Section 265(b)(3) of the Code, and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for 80% of that portion of such financial institutions' interest expense allocable to interest on the Series 2018 A Bonds.

10. The Series 1995 B Bonds have been defeased within the meaning and with the effect expressed in the resolutions authorizing the issuance of the Series 1995 B Bonds, and the covenants, agreements and other obligations of the Issuer to the Holders and Owners of the Series 1995 B Bonds have been satisfied and discharged. In rendering the opinion set forth in this paragraph, we have relied upon the Receipt and Release of the United States Department of Agriculture as to the sufficiency of the monies on deposit to provide for the payment of the principal of, interest on, and premium, if any, of the Series 1995 B Bonds.

It is to be understood that the rights of the holders of the Series 2018 A Bonds and the enforceability of the Series 2018 A Bonds, the Ordinance, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Tax Certificate, and the liens, pledges, rights or remedies with respect thereto, are subject to and may be limited by any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws heretofore or hereafter enacted affecting creditors' rights or remedies generally and that their enforcement may also be subject to the application of public policy, general principles of equity and the exercise of judicial discretion in appropriate cases.

We do not express any opinion as to the sufficiency or accuracy of the material, information or financial statements which are set forth in the Official Statement prepared and used in connection with the offering and sale of the Series 2018 A Bonds.

The opinions expressed in this letter are based upon the law in effect on the date hereof, and may be affected by actions taken or omitted or events occurring after the date hereof, including subsequent interpretations of the applicable law by competent judicial, regulatory and administrative authorities that modify, revoke, supplement, reverse, overrule or otherwise change applicable law and current interpretations thereof. We assume no obligation to revise or supplement this opinion should such law be changed by legislative action, judicial decision, or otherwise, or to determine or to inform any person whether any such actions are taken or omitted or any such events occur.

Very truly yours,

STEPTOE & JOHNSON PLLC

March 28, 2018

City of Salem
Sewer Revenue Bonds, Series 2018 B (Bank Qualified)

City of Salem
Salem, West Virginia

Crews and Associates, Inc.
Morgantown, West Virginia

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the authorization, issuance, sale, and the initial delivery on the date hereof, by the City of Salem, West Virginia (the "Issuer") of its $2,255,000 aggregate principal amount of Sewer Revenue Bonds, Series 2018 B (Bank Qualified) (the "Series 2018 B Bonds").

The Series 2018 B 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 West Virginia Code of 1931, as amended (the "Act"), and a Bond Ordinance duly enacted by the Issuer on July 25, 2017, as supplemented by a Supplemental Parameters Resolution and Conformed Ordinance duly adopted by the Issuer on February 13, 2018 and a Certificate of Determinations executed by the Mayor on March 8, 2018 (collectively, the "Ordinance"), and are subject to all the terms and conditions of the Ordinance. All capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Ordinance.

The Series 2018 B Bonds are issued in fully registered form, are dated March 28, 2018, mature on December 1 in the years and amounts and bear interest payable each June 1 and December 1, commencing December 1, 2018, all as set forth in the Ordinance.

The Ordinance provides that the Series 2018 B Bonds are issued for the purpose of: (i) financing the costs of the design, acquisition, construction and equipping of certain additions, betterments and improvements to the existing sewerage system of the City; (ii) funding the Series 2018 B Bonds Reserve Account; and (iii) paying costs of issuance of the Series 2018 B Bonds and related costs.

The Series 2018 B Bonds have been sold to Crews and Associates, Inc. (the "Original Purchaser"), pursuant to a Bond Purchase Agreement dated March 8, 2018 (the "Bond Purchase Agreement"), accepted by the Issuer.

In connection with our engagement as Bond Counsel, we have examined the law and such documents and matters as we have deemed necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the Issuer, the Original Purchaser and other entities contained in the Ordinance, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Tax Certificate and in the certified proceedings and other certifications of certain officials furnished to us without undertaking to verify the same by independent investigation and have relied upon, and have assumed, due compliance with the provisions of, the proceedings and other documents.

Based upon the foregoing, and assuming compliance with the covenants and representations of the Issuer and others set forth in the Ordinance, the Bond Purchase Agreement, the

Continuing Disclosure Agreement, the Tax Certificate and such certifications, we are of the opinion, under existing law, that:

1. The Issuer is a duly organized and validly existing municipal corporation and political subdivision under and pursuant to the laws of the State of West Virginia, with full power and authority to adopt and enact the Ordinance, enter into the Bond Purchase Agreement, the Continuing Disclosure Agreement and the Tax Certificate, perform its obligations under the terms and provisions thereof and to issue and sell the Series 2018 B Bonds, all under the provisions of the Act and other applicable provisions of law.

2. The Issuer, through its governing body, has legally and effectively adopted and enacted the Ordinance; has authorized, executed and delivered the Bond Purchase Agreement, the Continuing Disclosure Agreement, and the Tax Certificate; has authorized the distribution of the Official Statement in connection with the marketing and sale of the Series 2018 B Bonds; and has issued and delivered the Series 2018 B Bonds to the Original Purchaser pursuant to the Bond Purchase Agreement. The Ordinance is in full force and effect as of the date hereof.

3. Assuming due authorization, execution and delivery by the other parties thereto, the Bond Purchase Agreement, the Continuing Disclosure Agreement and the Tax Certificate constitute valid, legal, binding and enforceable instruments of the Issuer in accordance with their respective terms.

4. The Series 2018 B Bonds have been duly authorized, executed and delivered by the Issuer and, assuming proper authentication, constitute valid and legally enforceable limited obligations of the Issuer, payable from, and secured by a lien on, the Net Revenues of the System, on a parity with the Issuer's Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified), dated March 28, 2018, issued simultaneously herewith in the original aggregate principal amount of $1,310,000 (the "Series 2018 A Bonds"). The Series 2018 B Bonds are enforceable in accordance with their terms and the terms of the Ordinance, and are entitled to the benefits of the Ordinance and the Act.

5. We have examined the executed and authenticated Series 2018 B Bonds of said issue, and in our opinion, said Series 2018 B Bonds are in proper form and have been duly executed and authenticated.

6. Under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Bonds (a) is excludable from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended and the regulations promulgated thereunder (the "Code") and (b) is not an item of tax preference for purposes of the federal alternative minimum tax, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income for taxable years that began prior to January 1, 2018. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Code that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Ordinance, and in certain certificates delivered in connection with the issuance of the Bonds. Failure to comply with certain of such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds except as expressly set forth in this paragraph 6 and in paragraph 9 below.

7. Under the Act, the Series 2018 B Bonds and the interest thereon are exempt from all taxation by the State of West Virginia or any county, municipality, political subdivision or agency thereof.

8. The Series 2018 B Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and the West Virginia Uniform Securities Act, as amended, and it is not necessary, in connection with the public offering and sale of the Series 2018 B Bonds, to register any securities under said Securities Acts.

9. The Issuer has designated the Series 2018 B Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code, and has covenanted that it does not reasonably expect to issue more than $10,000,000 of tax-exempt obligations (other than obligations described in Section 265(b)(3)(C)(ii) of the Code) during the calendar year 2018, determined in accordance with the Code. Therefore, based on the foregoing the Series 2018 B Bonds are "qualified tax-exempt obligations," within the meaning of Section 265(b)(3) of the Code, and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for 80% of that portion of such financial institutions' interest expense allocable to interest on the Series 2018 B Bonds.

It is to be understood that the rights of the holders of the Series 2018 B Bonds and the enforceability of the Series 2018 B Bonds, the Ordinance, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Tax Certificate, and the liens, pledges, rights or remedies with respect thereto, are subject to and may be limited by any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws heretofore or hereafter enacted affecting creditors' rights or remedies generally and that their enforcement may also be subject to the application of public policy, general principles of equity and the exercise of judicial discretion in appropriate cases.

We do not express any opinion as to the sufficiency or accuracy of the material, information or financial statements which are set forth in the Official Statement prepared and used in connection with the offering and sale of the Series 2018 B Bonds.

The opinions expressed in this letter are based upon the law in effect on the date hereof, and may be affected by actions taken or omitted or events occurring after the date hereof, including subsequent interpretations of the applicable law by competent judicial, regulatory and administrative authorities that modify, revoke, supplement, reverse, overrule or otherwise change applicable law and current interpretations thereof. We assume no obligation to revise or supplement this opinion should such law be changed by legislative action, judicial decision, or otherwise, or to determine or to inform any person whether any such actions are taken or omitted or any such events occur.

Very truly yours,

STEPTOE & JOHNSON PLLC

APPENDIX F

FORMS OF BOND ORDINANCE, SUPPLEMENTAL PARAMETERS RESOLUTION AND CERTIFICATE OF DETERMINATIONS

[The remainder of this page is intentionally blank; the Bond Ordinance, Supplemental Parameters Resolution and Certificate of Determinations begin on the next page.]

CITY OF SALEM, WEST VIRGINIA
SEWER REFUNDING REVENUE BONDS, SERIES 2018 A (BANK QUALIFIED); AND
SEWER REVENUE BONDS, SERIES 2018 B (BANK QUALIFIED)

CONFORMED BOND ORDINANCE[1]

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CITY OF SALEM, WEST VIRGINIA

AN ORDINANCE AUTHORIZING THE REFUNDING OF THE ISSUER'S OUTSTANDING SEWER REVENUE BONDS, SERIES 1995 B AND THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING SEWER SYSTEM OF THE CITY OF SALEM AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $1,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REFUNDING REVENUE BONDS, SERIES 2018 A (BANK QUALIFIED); AND NOT MORE THAN $2,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2018 B (BANK QUALIFIED); PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE BONDS; AND ENACTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

WHEREAS, the City of Salem (the "Issuer" or the "City") presently owns and operates a public sewer system and has heretofore financed the acquisition and construction of the System and certain additions, betterments and improvements thereto through the issuance of several series of bonds or refunding bonds;

WHEREAS, under the provisions of Chapter 16, Article 13 of the Code of West Virginia, 1931, as amended (the "Act"), the Issuer is authorized to issue refunding revenue bonds for the purpose of refunding, paying or discharging all or any part of its outstanding revenue bonds, including interest thereon;

WHEREAS, the Issuer has determined and hereby determines that present value debt service savings would result from the Issuer's current refunding of its outstanding Sewer Revenue Bonds, Series 1995 B, dated June 27, 1995, issued in the original aggregate principal amount of $2,000,000 (the "Series 1995 B Bonds");

WHEREAS, the Issuer has determined that it is in the best interests of the inhabitants of the City of Salem and other users of the System to currently refund its outstanding Series 1995 B Bonds;

WHEREAS, the Issuer has determined that the aforementioned refunding of the Series 1995 B Bonds should be financed with the proceeds from the issuance of the City's Sewer Refunding Revenue Bonds, Series 2018 A, in the original aggregate principal amount of not more than $1,500,000 (the "Series 2018 A Bonds"), such Series 2018 A Bonds to be secured by and payable from the Net Revenues (as hereinafter defined) of the System; and

WHEREAS, under the provisions of the Act, the Issuer is authorized and empowered to acquire, construct and operate extensions, additions, betterments and improvements for the System, consisting of approximately 2,700 linear feet of 18-inch corrugated HDPE storm sewer line, 32 "Type A" storm inlets, 11 precast concrete culvert headwalls, 3 "Type A" storm manholes, 7 sanitary manholes, 1,750 linear feet of 8-inch PVC gravity sewer, 600 linear feet of 4-inch PVC gravity customer lateral, and all necessary appurtenances (collectively, the "Project") (the existing public sewer system of the Issuer, the Project and any further extensions, additions, betterments and improvements thereto are herein called the "System") in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer;

WHEREAS, the Issuer has determined, and does hereby affirm, that the acquisition and construction of certain extensions, additions, betterments and improvements to the System, is necessary, appropriate, useful and desirable for the health, safety, and welfare of the inhabitants of the City and surrounding areas;

WHEREAS, the Issuer has determined that the aforementioned acquisition and construction of extensions, additions, betterments and improvements to the System should be financed, as provided under the Act, in whole or in part, from the proceeds of revenue bonds to be issued by the Issuer, to pay all or any portion of the costs thereof, and to enact this Ordinance and issue its Sewer Revenue Bonds, Series 2018 B (Bank Qualified) (the "Series 2018 B Bonds"), such Series 2018 B Bonds to be secured by and payable from the Net Revenues of the System, and containing such other terms and provisions as are hereinafter provided, all in the manner set forth herein;

WHEREAS, the Series 2018 A Bonds and Series 2018 B Bonds are collectively known as the "Series 2018 Bonds"; and

WHEREAS, the Issuer has determined and hereby determines that it is in the best interest of the residents of the City that its Series 2018 Bonds be sold to the Original Purchaser (as hereinafter defined) thereof pursuant to the terms and provisions of a bond purchase agreement (the "Bond Purchase Agreement") between the Issuer and the Original Purchaser.

NOW, THEREFORE, THE COUNCIL OF THE CITY OF SALEM HEREBY ORDAINS:

ARTICLE I

DEFINITIONS, STATUTORY AUTHORITY AND FINDINGS

Section 1.01. Definitions. All capitalized terms used in this Ordinance and not otherwise defined in the recitals hereto shall have the meanings specified below, unless the context expressly requires otherwise:

"Act" means Chapter 16, Article 13 of the West Virginia Code of 1931, as amended and in effect on the Closing Date for the Series 2018 Bonds.

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

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

"Bond Counsel" means any law firm having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds, appointed by the Issuer, and shall initially mean Steptoe & Johnson PLLC, Charleston, West Virginia.

"Bondholder," "Holder," "Holder of the Bonds," "Owner of the Bonds," "Registered Owner," or any similar term means any person who shall be the registered owner of any outstanding Bond.

"Bond Insurer" means any entity which shall insure all or any portion of the payment of principal of and interest on the Bonds, and with respect to the Series 2018 Bonds shall initially mean the bond insurer or bond insurers, if any, named in the Supplemental Resolution.

"Bond Purchase Agreement" means the Bond Purchase Agreement between the Issuer and the Original Purchaser relating to the sale and purchase of the Series 2018 Bonds.

"Bond Register" means the books of the Issuer maintained by the Registrar for the registration and transfer of the Series 2018 Bonds.

"Bonds" means, collectively, the Series 2018 Bonds, and any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained herein.

"Business Day" means any day other than a Saturday, Sunday or a day on which national banking associations, West Virginia banking corporations or the New York Stock Exchange are authorized by law to remain closed.

"Certificate of Authentication and Registration" means the Certificate of Authentication and Registration on the Series 2018 Bonds in substantially the forms set forth in EXHIBIT A-1 – FORM OF SERIES 2018 A BONDS and EXHIBIT A-2 – FORM OF SERIES 2018 B BONDS attached hereto.

"City" or "Issuer" means the City of Salem, a municipal corporation and political subdivision of the State of West Virginia, in Harrison County thereof, and, where appropriate, the Council, and any successor thereto.

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

"City Council" or "Council" means the City Council of the Issuer or any other governing body of the Issuer that succeeds to the functions of the Council as presently constituted.

"Closing Date" means the date upon which there is an exchange of the Bonds for the proceeds representing the original purchase price thereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and Regulations thereunder and such guidance with respect thereto as may be issued by the Internal Revenue Service or Department of the Treasury from time to time.

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

“Consulting Engineers” means E.L. Robinson, Charleston, West Virginia, or any independent qualified engineer or engineers or firm or firms of engineers that shall at any time now or hereafter be retained by the Issuer as Consulting Engineers for the System, or portion thereof.

"Continuing Disclosure Agreement" means the agreement delivered by the Issuer to disseminate annual financial information and material event disclosures as required by Rule 15c2-12.

“Costs” or similar terms means all those costs now or hereafter permitted by the Act to be financed with bonds issued pursuant hereto, including, without limitation those costs set forth in Section 1.02C.

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

“Depository Bank” means the bank or banks to be designated as such in the Supplemental Resolution, and any other bank or national banking association located in the State of West Virginia, eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC that may hereafter be appointed by the Issuer as Depository Bank.

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

“DTC-eligible” means, with respect to the Series 2018 Bonds, meeting the qualifications prescribed by DTC.

“Event of Default” means any occurrence or event specified in Section 7.01 hereof.

“FDIC” means the Federal Deposit Insurance Corporation or any successor to the functions of the FDIC.

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

"Governing Body" means the City Council of the Issuer or any other governing body of the Issuer that succeeds to the functions of the City Council, as it may now or hereafter be constituted.

“Government Obligations” shall have the meaning set forth in the Supplemental Resolution.

“Gross Revenues” means the aggregate gross operating and non-operating revenues of the System and includes investment income, connection fees, disconnections fees, System use charges and fees, and all other items of income which have been established as reasonably anticipated annual income of the System, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts, and

includes any proceeds from the sale or other disposition of capital assets, but does not include any increase in the value of capital assets (including Qualified Investments).

"Independent Certified Public Accountant" means the West Virginia State Tax Department or any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the Issuer to prepare an independent annual or special audit of the accounts of the System or for any purpose except keeping the accounts of said System in the normal operations of its business and affairs.

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract, investment-type property or residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes other than specified private activity bonds as defined in Section 57(a)(5)(C) of the Code.

"Maximum Annual Debt Service" means, at the time of computation, the greatest amount of Debt Service required to be paid on the Bonds for the then current or any succeeding Fiscal Year.

"Mayor" means the Mayor of the Issuer.

"Municipal Bond Insurance Policy" means the municipal bond insurance policy, if any, issued by the Bond Insurer simultaneously with the delivery of the Series 2018 Bonds insuring the timely payment of the principal of and interest on all or any of the Series 2018 Bonds in accordance with the terms thereof.

"Net Proceeds" means the face amount of the Series 2018 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, on such issue, and less proceeds deposited in the Series 2018 A Bonds Reserve Account and Series 2018 B Bonds Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2018 Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

"Net Revenues" means Gross Revenues less Operating Expenses.

"Nonpurpose Investment" means any Investment Property which is acquired with the gross proceeds of the Series 2018 Bonds and is not acquired in order to carry out the governmental purpose of the Series 2018 Bonds.

"Official Statement" means a document or set of documents prepared by an issuer of municipal securities or its representatives setting forth, among other matters, information concerning the Issuer of such municipal securities and the proposed issue of securities that is complete as of the date of delivery of the document or set of documents to the Original Purchaser.

"Operating Expenses" unless qualified, means the current expenses, paid or accrued, of repair, operation and maintenance of the System, and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses (other than those

capitalized as part of the costs of any project relating to the acquisition or construction of additions, betterments or improvements for the System), supplies, labor, wages, the cost of materials and supplies used for current operations, fees and expenses of fiscal agents and of the Depository Bank, Registrar and Paying Agent or Paying Agents, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles.

"Ordinance" or "Bond Ordinance" regardless of whether preceded by the article "the" or "this," means this Ordinance, as it may hereafter from time to time be amended or supplemented, by ordinance or by resolution.

"Original Purchaser" means Crews & Associates, Inc. or such other investment banking firm or firms, bank or banks or such other entity or entities as shall purchase the Series 2018 Bonds directly from the Issuer, as determined by the Supplemental Resolution.

"Outstanding" when used with reference to the Series 2018 Bonds and as of any particular date, describes all Bonds theretofore and thereupon being issued and delivered except (a) any Bond canceled by the registrar for such Bond at or prior to said date; (b) any Bond for the payment of which monies, equal to its principal amount, with interest to the date of maturity, shall be held in trust under this Ordinance and set aside for such payment (whether upon or prior to maturity); (c) any Bond deemed to have been paid as provided by Section 9.01 hereof; and (d) with respect to determining the number or percentage of Bondholders or Bonds for the purpose of consents, notices and the like, any Bond registered to the Issuer. Notwithstanding the foregoing, in the event that a Bond Insurer has paid principal of and/or interest on any Bond, such Bond shall be deemed to be Outstanding until such time as such Bond Insurer has been reimbursed in full.

"Paying Agent" means, initially, the West Virginia Municipal Bond Commission and any other paying agent for the Series 2018 Bonds which may be appointed by a resolution supplemental hereto, all in accordance with Section 8.12 hereof.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person or in any activity carried on by a person other than a natural person, excluding, however, use by a state or local governmental unit and use as a member of the general public.

"Project" means construction of extensions, additions, betterments and improvements for the System, consisting of approximately 2,700 linear feet of 18-inch corrugated HDPE storm sewer line, 32 "Type A" storm inlets, 11 precast concrete culvert headwalls, 3 "Type A" storm manholes, 7 sanitary manholes, 1,750 linear feet of 8-inch PVC gravity sewer, 600 linear feet of 4-inch PVC gravity customer lateral, and all necessary appurtenances.

"Purchase Price" for the purpose of computation of the Yield of the Series 2018 Bonds, has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the Series 2018 to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds of each maturity is sold or, if the Series 2018 Bonds are privately placed, the price paid by the first buyer of the Series 2018 Bonds or the acquisition cost of the first buyer. "Purchase Price," for purposes of computing Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds of the Series 2018 Bonds for

acquisition thereof, or if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Series 2018 Bonds.

"Qualified Investments" means and includes any investment permitted to be made by a municipality, public service district or public corporation of the State pursuant to State Law, specifically including but not limited to Chapter 8, Article 13, Section 22 of the Code of West Virginia and the West Virginia "consolidated fund" managed by the West Virginia Board of Treasury Investments pursuant to Chapter 12, Article 6C of the Code of West Virginia.

"Rebate Fund" means the Rebate Fund established in Section 4.01 hereof.

"Record Date" means the date or dates which shall be so stated in the Series 2018 Bonds, regardless of whether such day is a Saturday, Sunday or legal holiday.

"Redemption Date" means the date fixed for redemption of Bonds subject to redemption in any notice of redemption published or mailed in accordance herewith.

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

"Registrar" means the bank to be designated in the Supplemental Resolution as the Registrar for the Series 2018 Bonds, and any successor thereto appointed in accordance with Section 8.08 hereof.

"Regulations" means temporary and permanent regulations promulgated under the Code, and includes applicable regulations promulgated under the Internal Revenue Code of 1986 as amended.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund created by the Section 4.01 hereof.

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

"Rule 15c2-12" means Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended.

"Series 1995 B Bonds" means the Issuer's Sewer Revenue Bonds, Series 1995 B, dated June 27, 1995, issued in the original aggregate principal amount of $2,000,000 and held by the United States Department of Agriculture.

"Series 1995 B Bonds Ordinance" means collectively the ordinance and resolutions authorizing the Series 1995 B Bonds.

"Series 2018 Bonds Costs of Issuance Fund" means the Series 2018 Bonds Costs of Issuance Fund created by Section 4.01 hereof.

"Series 2018 Bonds Construction Fund" means the Series 2018 Bonds Construction Fund created by Section 4.01 hereof.

"Series 2018 A Bonds" means the Sewer Refunding Revenue Bonds, Series 2018 A, of the Issuer, originally authorized to be issued pursuant to this Ordinance and the Supplemental Resolution.

"Series 2018 A Bonds Redemption Account" means the Series 2018 A Bonds Redemption Account established in the Series 2018 A Bonds Sinking Fund pursuant to Section 4.02 hereof.

"Series 2018 A Bonds Reserve Account" means the Series 2018 A Bonds Reserve Account established in the Series 2018 A Bonds Sinking Fund pursuant to Section 4.02 hereof.

"Series 2018 A Bonds Reserve Account Requirement" means an amount equal to the lesser of (i) 10% of the original principal amount of the Series 2018 A Bonds, (ii) Maximum Annual Debt Service at the time of original issuance of the Series 2018 A Bonds, or (iii) 125% of average annual Debt Service at the time of original issuance of the Series 2018 A Bonds.

"Series 2018 A Bonds Sinking Fund" means the Series 2018 A Bonds Sinking Fund established by Section 4.02 hereof.

“Series 2018 B Bonds” means the Sewer Revenue Bonds, Series 2018 B (Bank Qualified), of the Issuer, originally authorized to be issued pursuant to this Ordinance and the Supplemental Resolution.

“Series 2018 B Bonds Redemption Account” means the Redemption Account created by Section 4.02 hereof.

“Series 2018 B Bonds Reserve Account” means the Series 2018 B Bonds Reserve Account created in the Series 2018 B Bonds Sinking Fund by Section 4.02 hereof.

“Series 2018 B Bonds Reserve Account Requirement” means an amount equal to the lesser of (i) 10% of the original principal amount of the Series 2018 B Bonds, (ii) Maximum Annual Debt Service at the time of original issuance of the Series 2018 B Bonds, or (iii) 125% of average annual Debt Service at the time of original issuance of the Series 2018 B Bonds.

“Series 2018 B Bonds Sinking Fund” means the Series 2018 B Bonds Sinking Fund created by Section 4.02 hereof.

“Sinking Funds” means, collectively, the respective Sinking Funds established for the Series 2018 Bonds.

“State” means the State of West Virginia.

“Supplemental Resolution” means any ordinance or resolution amendatory hereof or supplemental hereto and, when preceded by the article “the,” refers specifically to the Supplemental Resolution or Resolutions to be adopted by the Issuer following enactment of this Ordinance, setting forth the final amounts, maturities, interest rates, redemption provisions, Original Purchaser, Bond Purchase Agreement, Bond Insurer provisions (if any) and other terms of the Series 2018 Bonds and authorizing the sale of the Series 2018 Bonds to the Original Purchaser; provided, that any provision intended to be

included in the Supplemental Resolution and not so included may be contained in any other Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Ordinance to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, including, without limitation, the funds and accounts established for the Series 2018 Bonds.

"System" means the complete existing sewerage system of the Issuer, as presently existing in its entirety or any integral part thereof and shall include the Project and shall include any additions, betterments and improvements thereto hereafter acquired or constructed for said sewage system from any sources whatsoever, both within and without the Issuer.

"Tax Certificate" means the Issuer's Tax Certificate dated as of the date of issuance of the Series 2018 Bonds, as the same may be amended or supplemented in accordance with the provisions thereof.

"Term Bonds" means Bonds subject to mandatory sinking fund redemption, as described by Section 3.06 hereof.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations and vice versa; and words importing the masculine gender shall include the feminine and neuter genders and vice versa.

Additional terms and phrases are defined in this Ordinance as they are used. Accounting terms not specifically defined herein shall be given meaning in accordance with generally accepted accounting principles.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Ordinance; and the term "hereafter" means after the date of enactment of this Ordinance.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Ordinance so numbered.

Section 1.02. Authority for this Ordinance. This Ordinance is enacted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.03. Findings. The Council hereby finds and determines as follows:

A. The Issuer is a municipal corporation and political subdivision of the State of West Virginia in Harrison County of said State.

B. The Issuer presently owns and operates a public sewer system. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer, and for the improvement of the water environment of the Issuer, that there be acquired and constructed certain extensions, additions, betterments and improvements to the sewer system of the Issuer, consisting of the Project, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. It is deemed necessary for the Issuer to issue its (i) Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified) and (ii) Sewer Revenue Bonds, Series 2018 B (Bank Qualified), in the aggregate principal amount of not more than $4,000,000 to (i) currently refund the Series 1995 B Bonds; (ii) permanently finance the costs of acquisition and construction of the Project; (iii) fund the Series 2018 A Bonds Reserve Account; (iv) fund the Series 2018 B Bonds Reserve Account; and (v) pay certain costs of issuance. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 2018 Bonds prior to and during acquisition or construction and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Series 2018 A Bonds Reserve Account or Series 2018 B Bonds Reserve Account; underwriter's discount, engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise; administrative expense; commitment fees; premiums for municipal bond insurance, reserve account insurance or reserve account surety bonds; letter of credit fees; discount; initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2018 Bonds and such other expenses as may be necessary or incidental to the financing herein authorized; the acquisition and construction of the Project and the placing of same in operation; and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2018 Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

D. The period of usefulness of the System after completion of the Project is not less than 20 years.

E. It is in the best interests of the Issuer that the Series 2018 Bonds be sold to the Original Purchaser pursuant to the terms and provisions of a bond purchase agreement to be entered into by and between the Issuer and the Original Purchaser (the "Bond Purchase Agreement"), as shall be approved by the Supplemental Resolution of the Issuer.

F. There are no outstanding obligations which will rank on a parity with the Series 2018 Bonds as to liens, pledge, source of and security for payment.

G. The Issuer intends to issue the Series 2018 Bonds and to pledge for payment thereof, the Net Revenues of the System, on a parity with each other.

H. The estimated revenues to be derived in each year after the date hereof from the operation of the System will be sufficient, to provide for the repair, maintenance and operation of the System, the payment of interest upon the Series 2018 Bonds and to create sinking funds, as hereinafter provided, to pay the principal on the Series 2018 Bonds as and when it becomes due and reasonable reserves therefor, to provide an adequate renewal and replacement fund, as hereinafter provided, and to make all other payments provided for in this Ordinance.

I. It is in the best interests of the Issuer, and the residents thereof, that the Issuer issue the Series 2018 Bonds, and secure the Series 2018 Bonds by a pledge and assignment of the Net Revenues derived from the operation of the System, the monies in the Series 2018 A Bonds Reserve Account, Series 2018 B Bonds Reserve Account, unexpended proceeds of the Series 2018 Bonds and as further set forth herein.

J. The Series 2018 Bonds and the Certificates of Authentication and Registration to be endorsed thereon are to be in substantially the forms set forth in EXHIBIT A-1 – FORM OF SERIES 2018 A BONDS AND EXHIBIT A-2 – FORM OF SERIES 2018 B BONDS attached hereto and incorporated herein by reference, with necessary and appropriate variations, omissions and insertions as permitted or required by this Ordinance or a Supplemental Resolution or as deemed necessary by the Registrar or the Issuer.

K. All things necessary to make the Series 2018 Bonds, when authenticated by the Registrar and issued as in this Ordinance provided, the valid, binding and legal special obligations of the Issuer according to the import thereof, and to validly pledge and assign those funds pledged hereby to the payment of the principal of and interest on the Series 2018 Bonds, will be timely done and duly performed.

L. The enactment of this Ordinance, the execution and issuance of the Series 2018 Bonds, subject to the terms thereof, will not result in any breach of, or constitute a default under, any instrument to which the Issuer is a party or by which it may be bound or affected.

M. Pursuant to the Act, the Issuer has heretofore established a Sanitary Board and the Sanitary Board has petitioned the Issuer to issue the Series 2018 Bonds for the purposes set forth herein.

N. The Issuer has complied with all requirements of West Virginia law relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Series 2018 Bonds, or will have so complied prior to issuance of any thereof.

Section 1.04. Ordinance Constitutes Contract. In consideration of the acceptance of the Series 2018 Bonds by those who shall own or hold the same from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the legal Holders of any and all of such Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bond, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

ARTICLE II

AUTHORIZATION OF REFUNDING AND ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Refunding. All Series 1995 B Bonds Outstanding as of the date of issuance of the Series 2018 A Bonds and all unpaid interest accrued thereon, if any, are hereby ordered to be refunded and paid in full and the pledge of Net Revenues in favor of the Registered Owners of the Series 1995 B Bonds imposed by the Series 1995 B Bonds Ordinance authorizing the issuance of the Series 1995 B Bonds, the monies in the funds and accounts created by the Series 1995 B Bonds Ordinances pledged to payment of the Series 1995 B Bonds, and any other funds pledged by the Series 1995 B Bonds Ordinance to payment of the Series 1995 B Bonds are hereby ordered terminated, discharged and released upon such payment to the Registered Owners of the Series 1995 B Bonds. Contemporaneously with the payment in full of the Series 1995 B Bonds, the amounts on deposit in the

sinking fund, and all other funds and accounts created and maintained on behalf of the Series 1995 B Bonds, shall be released from the lien created by the Series 1995 B Bonds Ordinance authorizing the issuance of the Series 1995 B Bonds.

Section 2.02. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of not more than $2,500,000. The proceeds of the Series 2018 B Bonds hereby authorized shall be applied as provided herein. The Series 2018 B Bonds are hereby authorized, to be issued in one or more series, in the aggregate principal amount of not more than $2,500,000.

ARTICLE III

THE SERIES 2018 BONDS

Section 3.01. Form and Payment of Bonds. No Series 2018 Bond shall be issued pursuant to this Ordinance except as provided in this Article III. Any Series 2018 Bonds issued pursuant to this Ordinance may be issued only as fully registered Series 2018 Bonds, in the denomination of $5,000 or any integral multiple thereof for any year of maturity. All Series 2018 Bonds shall be dated as of the date provided in a Supplemental Resolution applicable to such series. All Series 2018 Bonds shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Series 2018 Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Series 2018 Bonds shall be in default, Bonds issued in exchange for Series 2018 Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Series 2018 Bonds surrendered.

The principal of and the premium, if any, on the Series 2018 Bonds shall be payable in any coin or currency which, on the respective date of such payment, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender at the principal office of the Paying Agent. Interest on the Series 2018 Bonds shall be paid by check or draft made payable and mailed to the Holder thereof at his address as it appears in the Bond Register at the close of business on the Record Date, or, if requested, in the case of a Registered Owner of $1,000,000 or more of the Series 2018 Bonds, by wire transfer to a domestic bank account specified in writing at least 5 days prior to such interest payment date by such Registered Owner.

In the event any Series 2018 Bonds are redeemed in part, such bond shall be surrendered to and canceled by the Registrar, and the Issuer shall execute, and the Registrar shall authenticate and deliver to the Holder thereof, another Series 2018 Bond in the principal amount of said Series 2018 Bond then Outstanding.

Section 3.02. Execution of Bonds. The Series 2018 Bonds shall be executed in the name of the Issuer by the Mayor, by his manual or facsimile signature, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the City Clerk by his or her manual or facsimile signature; provided, that, all such signatures and the seal may be by facsimile. In case any one or more of the officers who shall have signed or sealed any of the Series 2018 Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may

nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 2018 Bonds shall be signed and sealed on behalf of the City by such person as at the actual time of the execution of such Bonds shall hold the proper office in the City, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.03. Authentication and Registration. No Series 2018 Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Ordinance unless and until the Certificates of Authentication and Registration on such Series 2018 Bond, substantially in the form set forth in EXHIBIT A-1 – FORM OF SERIES 2018 A BONDS AND EXHIBIT A-2 – FORM OF SERIES 2018 B BONDS attached hereto and incorporated herein by reference with respect to the Series 2018 Bonds, shall have been duly manually executed by the Registrar. Any such manually executed Certificate of Authentication and Registration upon any such Series 2018 Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Ordinance. The Certificate of Authentication and Registration on any Series 2018 Bond shall be deemed to have been executed by the Registrar if signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Series 2018 Bonds issued hereunder.

Section 3.04. Negotiability and Registration. Subject to the requirements for transfer set forth below, the Series 2018 Bonds shall be, and have all of the qualities and incidents of, negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder, in accepting any of said Bonds, shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Series 2018 Bonds remain Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Series 2018 Bonds. The Series 2018 Bonds shall be transferable only by transfer of registration upon the Bond Register by the registered owner thereof in person or by his attorney or legal representative duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or such duly authorized attorney or legal representative. Upon transfer of a Series 2018 Bond, there shall be issued at the option of the Holder or the transferee another Bond or Bonds of the aggregate principal amount equal to the unpaid amount of the transferred Bond and of the same series, interest rate and maturity of said transferred Bond.

Upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar and duly executed by the registered owner or his attorney or legal representative duly authorized in writing, Series 2018 Bonds may at the option of the Holder thereof be exchanged for an equal aggregate principal amount of Bonds of the same series, maturity and interest rate, in any authorized denominations.

In all cases in which the privilege of transferring or exchanging a Series 2018 Bond is exercised, Bonds shall be delivered in accordance with the provisions of this Ordinance. All Series 2018 Bonds surrendered in any such transfer or exchange shall forthwith be canceled by the Registrar. Transfers of Series 2018 Bonds, the initial exchange of Bonds and exchanges of Bonds in the event of partial redemption of fully registered Bonds shall be made by the Registrar without charge to the Holder

or the transferee thereof, except as provided below. For other exchanges of Series 2018 Bonds, the Registrar may impose a service charge. For every such transfer or exchange of Series 2018 Bonds, the Registrar may make a charge sufficient to reimburse its office for any tax or other governmental charge required to be paid with respect to such transfer or exchange, and such tax or governmental charge, and such service charge for exchange other than the initial exchange or in the event of partial redemption, shall be paid by the person requesting such transfer or exchange as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Registrar shall not be obliged to make any such transfer or exchange of Series 2018 Bonds that have been called for redemption.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2018 Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may execute, in its discretion, and the Registrar shall authenticate, register and deliver any new Bond of like series, maturity and principal amount as the Bond, so mutilated, destroyed, stolen or lost, in exchange and upon surrender and cancellation of, such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing the Issuer and the Registrar proof of his ownership thereof and that said Bond has been destroyed, stolen or lost and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer or the Registrar may incur. The name of the Bondholder listed in the Bond Register shall constitute proof of ownership. All Series 2018 Bonds so surrendered shall be submitted to and canceled by the Registrar, and evidence of such cancellation shall be given to the Issuer. If such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer, by and through the Registrar, may pay the same, upon being indemnified as aforesaid, and, if such Bond be lost, stolen or destroyed, without surrender therefor.

Any such duplicate Bonds issued pursuant to this section shall constitute original, additional contractual obligations on the part of the Issuer, whether or not the lost, stolen or destroyed Bonds be at any time found by any one, and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien and source of and security for payment from the Revenues pledged herein with all other Bonds issued hereunder.

Section 3.06. Term Bonds. In the event Term Bonds are issued as part of the Series 2018 Bonds pursuant to this Ordinance, the following provisions shall apply:

1. The amounts to be deposited, apportioned and set apart by the Issuer from the Revenue Fund and into the Series 2018 A Bonds Redemption Account and Series 2018 B Bonds Redemption Account in accordance with Subsection 4.03(A)(1) shall include (after credit as provided below) on the first of each month, beginning on the first day of that month which is 12 months prior to the first mandatory redemption date of said Term Bonds, a sum equal to 1/12th of the amount (or, if the Series 2018 Bonds mature semiannually rather than annually, that month which is 6 months prior to the first mandatory redemption date of said Term Bonds, a sum equal to 1/6th of the amount) required to redeem the principal amount of such Term Bonds which are to be redeemed as of the next ensuing mandatory Redemption Date, which amounts and dates, if any, with respect to a series of Bonds shall be set forth in the Supplemental Resolution relating thereto.

2. At its option, to be exercised on or before the 60th day next preceding any such mandatory Redemption Date, the Issuer may (a) deliver to the Registrar for cancellation such Term Bonds in any aggregate principal amount desired or (b) receive a credit in respect of its mandatory redemption obligation for any such Term Bonds which prior to said date have been redeemed (otherwise than

pursuant to this section) and canceled by the Registrar and not theretofore applied as a credit against any such mandatory redemption obligation. Each Term Bond so delivered or previously redeemed shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and Term Bonds delivered in excess of such mandatory redemption obligation shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

3. The Issuer shall on or before the 60th day next preceding each mandatory Redemption Date furnish the Registrar and the Bond Commission with its certificate indicating whether and to what extent the provisions of (a) and (b) of the preceding paragraph are to be utilized with respect to such mandatory redemption payment and stating, in the case of the credit provided for in (b) of the preceding paragraph, that such credit has not theretofore been applied against any mandatory redemption obligation.

4. After said 60th day but prior to the date on which the Registrar selects the Term Bonds to be redeemed, the Bond Commission may use the monies in the Series 2018 A Bonds Redemption Account and Series 2018 B Bonds Redemption Account to purchase Term Bonds at a price less than the par value thereof and accrued interest thereon. The Bond Commission shall advise the Issuer and the Registrar of any Term Bonds so purchased, and they shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and any excess shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

5. A. The Registrar shall call for redemption, in the manner provided herein, an aggregate principal amount of such Term Bonds, at the principal amount thereof plus interest accrued to the Redemption Date (interest to be paid from the Series 2018 A Bonds Sinking Fund), as will exhaust as nearly as practicable such Series 2018 A Bonds Redemption Account payment designated to be made in accordance with paragraph (A)(1) of this section. Such redemption shall be by random selection made on the 45th day preceding the mandatory Redemption Date, in such manner as may be determined by the Registrar. For purposes of this section, "Term Bonds" shall include any portion of a fully registered Term Bond, in integrals of $5,000.

B. The Registrar shall call for redemption, in the manner provided herein, an aggregate principal amount of such Term Bonds, at the principal amount thereof plus interest accrued to the Redemption Date (interest to be paid from the Series 2018 B Bonds Sinking Fund), as will exhaust as nearly as practicable such Series 2018 B Bonds Redemption Account payment designated to be made in accordance with paragraph (A)(1) of this section. Such redemption shall be by random selection made on the 45th day preceding the mandatory Redemption Date, in such manner as may be determined by the Registrar. For purposes of this section, "Term Bonds" shall include any portion of a fully registered Term Bond, in integrals of $5,000.

Section 3.07. Notice of Redemption. Unless waived by any Holder of the Series 2018 Bonds to be redeemed, official notice of any redemption shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the applicable Bond Insurer, if any, the Original Purchaser, and the registered owner of the Series 2018 Bond or Bonds to be redeemed at the

address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

So long as DTC (as CEDE & CO.) is the registered Owner of the Series 2018 Bonds, the Registrar shall send all notices of redemption to DTC and shall verify that DTC has received notice.

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

(1) The Redemption Date,

(2) The Redemption Price,

(3) If less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,

(4) That on the Redemption Date the Redemption Price and interest accrued will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date,

(5) The place where such Bonds are to be surrendered for payment of the Redemption Price, which place of payment shall be the principal office of the Registrar, and

(6) Such other information, if any, as shall be required for DTC-Eligible Bonds.

If funds sufficient to redeem all Series 2018 Bonds called for optional redemption have not been deposited with the Paying Agent at the time of mailing any notice of optional redemption, such notice shall also state that such optional redemption is subject to the deposit of such monies with the Paying Agent on or before the Redemption Date. If such monies are not so deposited, the Registrar shall notify all holders of Series 2018 Bonds called for redemption of such fact.

Official notice of redemption having been given as aforesaid, the Series 2018 Bonds, or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Series 2018 Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the Redemption Price. Installments of interest due on or prior to the Redemption Date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of the same maturity in the amount of the unpaid principal of such Bond. All Series 2018 Bonds which have been redeemed shall be canceled and destroyed by the Bond Registrar and shall not be reissued.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of Series 2018 Bonds, and failure to mail such notice shall not affect the validity of proceedings for the redemption of any portion of Bonds for which there was no such failure.

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

Section 3.09. Temporary Bonds. Until Bonds of any series in definitive form are ready for delivery, the Issuer may execute and the Registrar shall authenticate, register, if applicable, and deliver, subject to the same provisions, limitations and conditions set forth in this Article III, one or more printed, lithographed or typewritten Bonds in temporary form, substantially in the form of the definitive Bonds of such series, with appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the lien and benefit created under this Ordinance. Upon the presentation and surrender of any Bond or Bonds in temporary form, the Issuer shall, without unreasonable delay, prepare, execute and deliver to the Registrar, and the Registrar shall authenticate, register, if applicable, and deliver, in exchange therefor, a Bond or Bonds in definitive form. Such exchange shall be made by the Registrar without making any charge therefor to the Holder of such Bond in temporary form.

Section 3.10. Series 2018 Bonds. A. For the purposes of paying in full the entire outstanding principal of and all accrued interest on the Series 1995 B Bonds (along with other funds of the Issuer available therefor), paying the premium for a Municipal Bond Insurance Policy for the Series 2018 A Bonds, if determined to be financially advantageous to the Issuer, funding the Series 2018 A Bonds Reserve Account (or paying the premium for a Municipal Bond Debt Service Reserve Insurance Policy, if determined to be financially advantageous to the Issuer) and paying costs of issuance of the Series 2018 A Bonds and related costs, there shall be issued the Series 2018 A Bonds of the Issuer, in one or more series, in an aggregate principal amount of not more than $1,500,000 The Series 2018 A Bonds shall be designated the "City of Salem (West Virginia) Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified)" and shall be issued in fully registered form, in denominations of $5,000 or any integral multiple thereof for any year of maturity (or such other denominations as may be set forth in the Supplemental Resolution), not exceeding the aggregate principal amount of Series 2018 A Bonds maturing in the year of maturity for which the denomination is to be specified. The Series 2018 A Bonds shall be numbered from AR-1 consecutively upward. The Series 2018 A Bonds shall be dated; shall be in such aggregate principal amount; shall bear interest at such rate or rates, not exceeding the then legally permissible rate, payable semiannually on such dates; shall mature on such dates and in such amounts; shall be subject to such mandatory and optional redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein and in the Supplemental Resolution.

B. For the purposes of paying the costs of acquisition and construction of the Project, paying capitalized interest, if any, funding the Series 2018 B Bonds Reserve Account and paying costs in connection therewith, there shall be issued the Series 2018 B Bonds of the Issuer, in one or more series, in an aggregate principal amount of not more than $2,500,000. Said Series 2018 B Bonds shall be designated “Sewer Revenue Bonds, Series 2018 B (Bank Qualified)” or such other designation as may be appropriate for the year and sequence of the issue, as may be set forth in a Supplemental Resolution, and shall be issued in fully registered form, in the denomination of $5,000 or any integral multiple thereof for any period of maturity, not exceeding the aggregate principal amount of Series 2018 B Bonds maturing in the period of maturity for which the denomination is to be specified. The Series 2018 B Bonds shall be numbered from BR-1 consecutively upward. The Series 2018 B Bonds shall be dated; shall be in such aggregate principal amount (not to exceed $2,500,000); shall bear interest at such rate or rates, not

exceeding the then legally permissible rate (not to exceed 6.0%), payable semiannually on such dates; shall mature on such dates (which may be annual or semi-annual) (not to exceed 30 years) and in such amounts; shall be subject to such mandatory and optional redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein and in the Supplemental Resolution.

Section 3.11. Book Entry System for Series 2018 Bonds. A. The Series 2018 Bonds shall each initially be issued in the form of one fully-registered bond for the aggregate principal amount of the Series 2018 Bonds of each maturity, registered in the name of CEDE & CO., as nominee of DTC. Except as provided in Paragraph E below, all of the Series 2018 Bonds shall be registered in the registration books kept by the Registrar in the name of CEDE & CO., as nominee of DTC; provided, that if DTC shall request that the Series 2018 Bonds be registered in the name of a different nominee, the Registrar shall exchange all or any portion of the Series 2018 Bonds registered in the name of such nominee or nominees. No person other than DTC or its nominee shall be entitled to receive from the Issuer or the Registrar either a Series 2018 Bond or any other evidence of ownership of the Series 2018 Bonds, or any right to receive any payment in respect thereof unless DTC or its nominee shall transfer record ownership of all or any portion of the Series 2018 Bonds on the registration books maintained by the Registrar, in connection with discontinuing the book entry system as provided in Paragraph E below.

B. Prior to authorizing the publication of an Official Statement for the Series 2018 Bonds, the Issuer shall execute or signify its approval of a representation letter addressed to DTC in a form satisfactory to DTC (the "Representation Letter").

C. So long as the Series 2018 Bonds or any portion thereof are registered in the name of DTC or any nominee thereof, all payments of the principal or Redemption Price of or interest on such Series 2018 Bonds shall be made to DTC or its nominee at the addresses set forth in the Representation Letter in New York Clearing House or equivalent next day funds on the dates provided for such payments to be made to any Bondholder under this Ordinance. Each such payment to DTC or its nominee shall be valid and effective to fully discharge all liability of the Issuer and the Registrar with respect to the principal or Redemption Price of or interest on the Series 2018 Bonds to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Series 2018 Bonds Outstanding of any maturity, the Registrar shall not require surrender by DTC of the Series 2018 Bonds so redeemed, but DTC may retain such Series 2018 Bonds and make an appropriate notation on the Series 2018 Bonds certificate as to the amount of such partial redemption; provided, that DTC shall deliver to the Registrar, upon request, a written confirmation of such partial redemption. The records maintained by the Registrar shall be conclusive as to the amount of the Series 2018 Bonds of such maturity which have been redeemed.

D. The Issuer, the Paying Agent and the Registrar may treat DTC as the sole and exclusive owner of the Series 2018 Bonds registered in its name or the name of its nominee for the purposes of payment of the principal or Redemption Price of or interest on the Series 2018 Bonds, selecting the Series 2018 Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Ordinance, registering the transfer of Series 2018 Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever; and neither the Issuer nor the Registrar shall be affected by any notice to the contrary. Neither the Issuer nor the Registrar shall have any responsibility or obligation to any direct or indirect participant in DTC, any person claiming a beneficial ownership interest in the Series 2018 Bonds under or through DTC or any such participant, or any other person which is not shown on the registration books of the Registrar as being a Bondholder with respect to (i) the Series 2018 Bonds, (ii) the accuracy of any records maintained

by DTC or any such participant, (iii) the payment by DTC or any such participant of any amount in respect of the principal or Redemption Price of or interest on the Series 2018 Bonds, (iv) any notice which is permitted or required to be given to Bondholders under this Ordinance, (v) the selection by DTC or any such participant of any person to receive payment in the event of a partial redemption of the Series 2018 Bonds, or (vi) any consent given or other action taken by DTC as Bondholder.

E. The book entry system for registration of the ownership of the Series 2018 Bonds may be discontinued at any time if either: (i) DTC determines to resign as securities depository for the Series 2018 Bonds; or (ii) the Issuer determines that continuation of the system of book entry transfers through DTC (or through a successor securities depository) is not in the best interest of the beneficial owners of the Series 2018 Bonds. In either of such events (unless in the case described in clause (iii) above, the Issuer appoints a successor securities depository), the Series 2018 Bonds shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Issuer or the Registrar for the accuracy of such designation. Whenever DTC requests the Issuer and the Registrar to do so, the Issuer and the Registrar shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Series 2018 Bonds.

Section 3.12. Delivery of Series 2018 Bonds. The Issuer shall execute and deliver the Series 2018 Bonds to the Registrar, and the Registrar shall authenticate, register and deliver the Series 2018 Bonds to the Original Purchaser upon receipt of the documents set forth below:

(1) If not registered in the name of DTC or its nominee, a list of the names in which the Series 2018 Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Registrar may reasonably require;

(2) A request and authorization to the Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2018 Bonds to DTC for the benefit of the Original Purchaser;

(3) Copies, certified by the City Clerk, of this Ordinance and the Supplemental Resolution;

(4) The unqualified approving opinions upon the Series 2018 Bonds by Bond Counsel; and

(5) Such other opinions, certificates and documents as shall be reasonably requested by the Original Purchaser.

Section 3.13. Forms of Series 2018 Bonds. The definitive Series 2018 Bonds shall be in substantially the forms set forth in EXHIBIT A-1 – FORM OF SERIES 2018 A BONDS AND EXHIBIT A-2 FORM OF SERIES 2018 B BONDS attached hereto and incorporated herein by reference, with such necessary and appropriate omissions, insertions and variations as are approved by those officers executing such Series 2018 Bonds on behalf of the Issuer and execution thereof by such officers shall constitute conclusive evidence of such approval, and the definitive Series 2018 Bonds shall have the form of the opinion of Steptoe & Johnson PLLC, as Bond Counsel, attached thereto or printed on the reverse thereof.

Section 3.14. Disposition of Proceeds of Series 2018 Bonds. Upon the issuance and delivery of the Series 2018 Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

1. All interest accrued, if any, on the Series 2018 A Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2018 A Bonds Sinking Fund and applied to payment of interest on the Series 2018 A Bonds at the first interest payment date.

2. All interest accrued, if any, on the Series 2018 B Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2018 B Bonds Sinking Fund and applied to payment of interest on the Series 2018 B Bonds at the first interest payment date.

3. An amount of the proceeds of the Series 2018 A Bonds equal to the amount, if any, set forth in the Supplemental Resolution or related Certificate of Determinations shall be remitted to the Bond Commission for deposit in the Series 2018 A Bonds Reserve Account; provided, that to the extent the Series 2018 A Bonds Reserve Requirement is satisfied in whole or in part from a reserve account letter of credit, surety bond or other credit facility, proceeds of the Series 2018 A Bonds shall be deposited in the Series 2018 A Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2018 A Bonds Reserve Requirement.

4. An amount of the proceeds of the Series 2018 B Bonds equal to the amount, if any, set forth in the Supplemental Resolution or related Certificate of Determinations shall be remitted to the Bond Commission for deposit in the Series 2018 B Bonds Reserve Account; provided, that to the extent the Series 2018 B Bonds Reserve Requirement is satisfied in whole or in part from a reserve account letter of credit, surety bond or other credit facility, proceeds of the Series 2018 B Bonds shall be deposited in the Series 2018 B Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2018 B Bonds Reserve Requirement.

5. An amount of the proceeds of the Series 2018 A Bonds equal to the amount set forth in the Supplemental Resolution or related Certificate of Determinations, shall be remitted to the National Finance Office to pay the Series 1995 B Bonds.

6. The amount of Series 2018 A Bond and Series 2018 B Bond proceeds which, together with other monies or securities deposited therein shall be equal to the Costs of Issuance of the Series 2018 Bonds shall be deposited with the Depository Bank in the Series 2018 Bonds Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the Series 2018 Bonds at the written direction of the Issuer. Monies not to be applied immediately to pay such costs of issuance may be invested in accordance with this Ordinance, subject however, to applicable yield restrictions as may be in effect under the Code. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 120 days following the Closing Date for the Series 2018 Bonds, such unapplied proceeds shall be transferred by the Issuer to the Series 2018 Bonds Sinking Fund established in Section 4.01 hereof and applied to the next ensuing payment of interest on the Series 2018 Bonds. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such monies until so applied in favor of the Holders of the Series 2018 Bonds from which such proceeds are derived.

7. The balance of Series 2018 B Bonds proceeds, if any, shall be deposited in the Series 2018 Bonds Construction Fund and disbursed as provided in Section 3.15 hereof.

Section 3.15. Disbursements from the Series 2018 Bonds Construction Fund. Disbursements from the Series 2018 Bonds Construction Fund, except for payment of Costs of Issuance of the Series 2018 Bonds in excess of the monies available in the Costs of Issuance Fund which shall be made upon request of the Issuer, shall be made only for acquisition and construction of the Project, including all necessary engineering and other professional services relating thereto. Pending such application, monies in the Series 2018 Bonds Construction Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE IV

SYSTEM REVENUES; FUNDS AND ACCOUNTS

Section 4.01. Establishment of Funds and Accounts with Depository Bank. Pursuant to this Article IV, the following special funds are created with, and shall be held by, the Depository Bank, segregated from all other funds and accounts of the Depository Bank or the Issuer and from each other (except as set forth in this Section 4.01), and used solely for the purposes provided herein:

(1) Revenue Fund;

(2) Renewal and Replacement Fund;

(3) Series 2018 Costs of Issuance Fund;

(4) Rebate Fund; and

(5) Series 2018 Bonds Construction Fund.

Section 4.02. Establishment of Funds and Accounts with Bond Commission. The following special funds or accounts are hereby created with and shall be held by the Commission, separate and apart from all other funds or accounts of the Commission or the Issuer and from each other:

(1) Series 2018 A Bonds Sinking Fund;

(2) Series 2018 A Bonds Reserve Account;

(3) Series 2018 A Bonds Redemption Account;

(4) Series 2018 B Bonds Sinking Fund;

(5) Series 2018 B Bonds Redemption Account; and

(6) Series 2018 B Bonds Reserve Account.

Section 4.03. System Revenues and Application Thereof. So long as any of the Series 2018 Bonds shall be Outstanding and unpaid, the Issuer covenants as follows:

A. The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited by the Issuer in the Revenue Fund. The Revenue Fund shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. All Revenues at any time remaining on deposit in the Revenue Fund shall be disposed of only in the following manner and order of priority:

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

(2) The Issuer shall next, each month on or before the due date, transfer from the Revenue Fund and simultaneously remit to the Commission (i) beginning on the first day of that month which is 6 months prior to the first interest payment date on the Series 2018 A Bonds, apportion and set apart out of the Revenue Fund and deposit in the Series 2018 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 2018 A Bonds on the next ensuing semiannual interest payment date; provided, that in the event the period to elapse between the date of such initial deposit in the Series 2018 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date, and provided further, that the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2018 A Bonds Sinking Fund shall be reduced by the amount of accrued interest, if any, on the Series 2018 A Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2018 A Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2018 A Bonds Sinking Fund; and (ii) beginning on the first day of that month which is 6 months prior to the first interest payment date on the Series 2018 B Bonds, apportion and set apart out of the Revenue Fund and deposit in the Series 2018 B Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 2018 B Bonds on the next ensuing semiannual interest payment date; provided, that in the event the period to elapse between the date of such initial deposit in the Series 2018 B Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date, and provided further, that the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2018 B Bonds Sinking Fund shall be reduced by the amount of accrued interest, if any, on the Series 2018 B Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2018 B Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2018 B Bonds Sinking Fund.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) for deposit in the Series 2018 A Bonds Sinking Fund (and in the Series 2018 A Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed) on the first day of each month, beginning on the first day of that month which is 12 months prior to the first principal payment or mandatory Redemption Date of the Series 2018 A Bonds, a sum equal to 1/12th of the amount (or 1/6th of the amount if the Series 2018 A Bonds mature semiannually rather than annually) of principal which will mature or be redeemed and become due on the Series 2018 A Bonds on the next ensuing principal payment or mandatory Redemption Date; provided, that in the event the period to elapse between the date of such initial deposit in the Series 2018 A Bonds Sinking Fund and the next ensuing principal payment or mandatory Redemption Date is less than or greater than 12 months (or 6 months if the Series 2018 A Bonds mature semiannually rather than

annually), then such monthly payments shall be increased or decreased proportionately to provide, one month prior to the next ensuing principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2018 A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph; and (ii) for deposit in the Series 2018 B Bonds Sinking Fund (and in the Series 2018 B Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed) on the first day of each month, beginning on the first day of that month which is 12 months prior to the first principal payment or mandatory Redemption Date of the Series 2018 B Bonds, a sum equal to 1/12th of the amount (or 1/6th of the amount if the Series 2018 B Bonds mature semiannually rather than annually) of principal which will mature or be redeemed and become due on the Series 2018 B Bonds on the next ensuing principal payment or mandatory Redemption Date; provided, that in the event the period to elapse between the date of such initial deposit in the Series 2018 B Bonds Sinking Fund and the next ensuing principal payment or mandatory Redemption Date is less than or greater than 12 months (or 6 months if the Series 2018 B Bonds mature semiannually rather than annually), then such monthly payments shall be increased or decreased proportionately to provide, one month prior to the next ensuing principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2018 B Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) commencing 13 months prior to the first date of payment of principal of the Series 2018 A Bonds, if not fully funded upon issuance of the Series 2018 A Bonds, for deposit in the Series 2018 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2018 A Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 2018 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2018 A Bonds Reserve Requirement; provided further, that if the amounts in the Series 2018 A Bonds Reserve Account, as a result of a decrease in value of the Series 2018 A Bonds Reserve Account below the Series 2018 A Bonds Reserve Account Requirement or any withdrawal from the Series 2018 A Bonds Reserve Account, the Issuer shall apply such monies for deposit into the Series 2018 A Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 2018 A Bonds Reserve Account results in a determination that the amount of monies and the value of the Qualified Investments deposited to the credit of the Series 2018 A Bonds Reserve Account is less than the Series 2018 A Bonds Reserve Account Requirement, or (b) any amount is withdrawn from the Series 2018 A Bonds Reserve Account for deposit into the Series 2018 A Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of monies on deposit in the Series 2018 A Bonds Reserve Account to an amount equal to the Series 2018 A Bonds Reserve Account Requirement to the full extent that such Net Revenues are available; provided, however, that if the shortfall in the Series 2018 A Bonds Reserve Account is due to a decrease in the value of investments therein, such shortfall shall be replenished by not less than 4 equal monthly payments, and if such shortfall is due to a withdrawal from the Series 2018 A Bonds Reserve Account, such shortfall shall be replenished by not less than 12 equal monthly payments, and provided further, that no payments shall be required to be made into the Series 2018 A Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2018 A Reserve Account Requirement; and (ii) commencing 13 months prior to the first date of payment of principal of the Series 2018 B Bonds, if not fully funded upon issuance of the Series 2018 B Bonds, for deposit in the Series 2018 B Bonds Reserve Account, an amount equal to 1/120th of the Series 2018 B

Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 2018 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2018 B Bonds Reserve Requirement; provided further, that if the amounts in the Series 2018 B Bonds Reserve Account, as a result of a decrease in value of the Series 2018 B Bonds Reserve Account below the Series 2018 B Bonds Reserve Account Requirement or any withdrawal from the Series 2018 B Bonds Reserve Account, the Issuer shall apply such monies for deposit into the Series 2018 B Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 2018 B Bonds Reserve Account results in a determination that the amount of monies and the value of the Qualified Investments deposited to the credit of the Series 2018 B Bonds Reserve Account is less than the Series 2018 B Bonds Reserve Account Requirement, or (b) any amount is withdrawn from the Series 2018 B Bonds Reserve Account for deposit into the Series 2018 B Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of monies on deposit in the Series 2018 B Bonds Reserve Account to an amount equal to the Series 2018 B Bonds Reserve Account Requirement to the full extent that such Net Revenues are available; provided, however, that if the shortfall in the Series 2018 B Bonds Reserve Account is due to a decrease in the value of investments therein, such shortfall shall be replenished by not less than 4 equal monthly payments, and if such shortfall is due to a withdrawal from the Series 2018 B Bonds Reserve Account, such shortfall shall be replenished by not less than 12 equal monthly payments, and provided further, that no payments shall be required to be made into the Series 2018 B Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2018 B Reserve Account Requirement.

Amounts in the Series 2018 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2018 A Bonds when due, when amounts in the Series 2018 A Bonds Sinking Fund are insufficient therefor and for no other purpose.

Amounts in the Series 2018 B Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2018 B Bonds when due, when amounts in the Series 2018 B Bonds Sinking Fund are insufficient therefor and for no other purpose.

(5) The Issuer shall next, on the first day of each month, transfer from the monies remaining in the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, a sum equal to 2.5% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, or improvements or extensions to the System; provided, that any deficiency in any Reserve Account, except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of deficiency, funded such account to the maximum extent required hereof, shall promptly be eliminated with monies from the Renewal and Replacement Fund.

(6) Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove provided, are current and there remains in the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by the Act, such excess shall be

considered as surplus revenues (the "Surplus Revenues"). Surplus Revenues may be used for any lawful purpose of the System.

B. The Bond Commission is hereby designated as the fiscal agent for the administration of the Series 2018 A Bonds Sinking Fund and Series 2018 B Bonds Sinking Fund created hereunder, and all amounts required for said Sinking Funds shall be remitted to the Bond Commission from said Revenue Fund and from the proceeds of the sale of the Series 2018 Bonds, by the Issuer at the times and as otherwise provided herein. All remittances made by the Issuer to the Bond Commission shall clearly identify the fund or account into which each amount is to be deposited.

C. The monies on deposit in the Revenue Fund and the Renewal and Replacement Fund in excess of the sum insured by the FDIC shall at all times be secured, to the full extent thereof in excess of such insured sum, by Government Obligations or by other Qualified Investments as shall be eligible as security for deposits of municipal funds under the laws of the State.

ARTICLE V

INVESTMENTS; NON-ARBITRAGE; REBATES AND CONTINUING DISCLOSURE

Section 5.01. Investments. The Issuer shall invest and reinvest, and shall instruct the Bond Commission and the Depository Bank to invest and reinvest, any monies held as a part of the funds and accounts created by this Ordinance in Qualified Investments to the fullest extent possible under applicable laws, this Ordinance, the need for such monies for the purposes set forth herein and the specific restrictions and provisions set forth in this section.

Except as provided below, any investment shall be held in and at all times deemed a part of the fund or account in which such monies were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The Issuer shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Issuer may make any and all investments permitted by this section through the bond department of the Depository Bank. The Depository Bank shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The following specific provisions shall apply with respect to any investments made under this section (unless otherwise required by the Bond Insurer, if any, and as set forth in the Supplemental Resolution):

(A) Qualified Investments acquired for the Series 2018 A Bonds Reserve Account and Series 2018 B Bonds Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 5 years from the date of such investment.

(B) The Issuer shall, or shall cause the Bond Commission to, annually transfer from the Series 2018 A Bonds Reserve Account to the Series 2018 A Bonds Sinking Fund any earnings on the monies deposited therein and any other funds in excess of the Series 2018 A Bonds Reserve Requirement,

provided, however, that there shall at all times remain on deposit in the Series 2018 A Bonds Reserve Account an amount at least equal to the Series 2018 A Bonds Reserve Requirement.

The Issuer shall, or shall cause the Bond Commission to, annually transfer from the Series 2018 B Bonds Reserve Account to the Series 2018 B Bonds Sinking Fund any earnings on the monies deposited therein and any other funds in excess of the Series 2018 B Bonds Reserve Requirement, provided, however, that there shall at all times remain on deposit in the Series 2018 B Bonds Reserve Account an amount at least equal to the Series 2018 B Bonds Reserve Requirement.

(C) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the Series 2018 A Bonds Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2018 A Bonds Reserve Account shall, at any time, be less than the applicable Series 2018 A Bonds Reserve Requirement, the applicable Bond Insurer, if any, shall be notified immediately of such deficiency, and such deficiency shall be made up from the first available Net Revenues after required deposits to the Sinking Fund and otherwise in accordance with Section 4.03.

In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the Series 2018 B Bonds Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2018 B Bonds Reserve Account shall, at any time, be less than the applicable Series 2018 B Bonds Reserve Requirement, the applicable Bond Insurer, if any, shall be notified immediately of such deficiency, and such deficiency shall be made up from the first available Net Revenues after required deposits to the Sinking Fund and otherwise in accordance with Section 4.03.

(D) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the Series 2018 Bonds, as appropriate, and invested only in Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(E) Notwithstanding the foregoing, all monies deposited in the Series 2018 A Bonds Sinking Fund and Series 2018 B Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia Board of Treasury Investments pursuant to Chapter 12, Article 6C of the Code of West Virginia, 1931, as amended.

Section 5.02. Continuing Disclosure Agreement. The Issuer shall deliver a continuing disclosure agreement or certificate in form acceptable to the Original Purchaser, the form of which shall be approved by the Supplemental Resolution, sufficient to ensure compliance with Rule 15c2-12, as it may be amended from time to time, and the Issuer hereby instructs the Mayor and City Clerk to take all actions necessary for the Issuer to comply with the continuing disclosure agreement.

Section 5.03. Arbitrage and Tax Exemption. The Issuer covenants that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Series 2018 Bonds which would cause the Series 2018 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Series 2018 Bonds)

so that the interest on the Series 2018 Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 5.04. Tax Certificate, Rebates, and Rebate Fund. The Issuer shall deliver a tax certificate or other similar certificate to be prepared by Bond Counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of any series of Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 2018 Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Ordinance.

Unless exempted therefrom, the Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. Upon completion of each such annual calculation, the Issuer shall deposit, or cause to be deposited, in the Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the Rebate Fund to equal the sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge hereunder and used only for payment of rebatable arbitrage to the United States. The Issuer shall pay, or cause to be paid, to the United States, from the Rebate Fund, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be in time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefore. The Issuer at its expense, may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer may deem appropriate in order to assure compliance with this Section 5.04. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 5.04 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and other amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes.

ARTICLE VI

ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01. Covenants Binding and Irrevocable. All the covenants, agreements and provisions of this Ordinance shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2018 Bonds, as prescribed by Article VII. In addition to the other covenants, agreements and provisions of this Ordinance, the Issuer hereby covenants and agrees with the Holders of the Series 2018 Bonds, as

hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2018 Bonds or the interest thereon, are Outstanding and unpaid.

Section 6.02. Bonds not to be Indebtedness of the Issuer. A. The Series 2018 A Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness but shall be payable solely from the Net Revenues of the System, the monies in the Series 2018 A Bonds Sinking Fund and all accounts therein, the unexpended proceeds of the Series 2018 A Bonds or money in the Series 2018 Bonds Construction Fund, if any, all as herein provided. No Holder or Holders of any Series 2018 A Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Series 2018 A Bonds or the interest thereon.

B. The Series 2018 B Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness but shall be payable solely from the Net Revenues of the System, the monies in the Series 2018 B Bonds Sinking Fund and all accounts therein, the unexpended proceeds of the Series 2018 B Bonds or money in the Series 2018 Bonds Construction Fund, if any, all as herein provided. No Holder or Holders of any Series 2018 B Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Series 2018 B Bonds or the interest thereon.

Section 6.03. Bonds Secured by Pledge of Net Revenues and Monies in Sinking Fund. The payment of the debt service of all of the Series 2018 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 Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Series 2018 A Bonds herein authorized, to make the payments into the Series 2018 A Bonds Sinking Fund, all monies and securities in the Series 2018 A Bonds Sinking Fund and the Series 2018 A Bonds Reserve Account, are hereby irrevocably pledged in the manner provided in this Ordinance to the payment of the principal of and interest on the Series 2018 A Bonds herein authorized as the same become due and for the other purposes provided in this Ordinance.

The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Series 2018 B Bonds herein authorized, to make the payments into the Series 2018 B Bonds Sinking Fund, all monies and securities in the Series 2018 B Bonds Sinking Fund and the Series 2018 B Bonds Reserve Account, are hereby irrevocably pledged in the manner provided in this Ordinance to the payment of the principal of and interest on the Series 2018 B Bonds herein authorized as the same become due and for the other purposes provided in this Ordinance.

Section 6.04. Rates. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal and the Issuer shall supply an opinion of counsel to such effect. Such rates and charges shall be sufficient to comply with the requirements of the Bond Purchase Agreement and the Issuer shall supply a certificate of Certified Public Accountant to such effect. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in the sewer rate ordinance of the Issuer enacted April 4, 2011, which rates are incorporated herein by reference as a part hereof.

So long as the Series 2018 Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Ordinance and in compliance with this Ordinance. In the event the schedule of rates and charges initially established for the System in connection with the Series 2018 Bonds shall prove to be insufficient to produce the required sums set forth in this Ordinance, the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Ordinance.

Prior to the issuance of the Series 2018 Bonds, rates or charges for the use of the services and facilities of the System will be fixed and established, all in the manner and form required by law, and a copy of such rates and charges so fixed and established shall at all times be kept on file in the office of the City Clerk of the Issuer, which copy will be open to inspection by all interested parties. The schedule or schedules of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds and accounts created hereunder. Such schedule or schedules of rates and charges shall be revised from time to time, whenever necessary, so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that rates or charges from time to time in effect shall be sufficient, together with other revenues of the System, to provide a rate coverage sufficient, together with other revenues of the System, to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2018 Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with, or subordinate to, the Series 2018 Bonds.

The Issuer hereby covenants to commence enactment of such ordinance or ordinances as shall be required to increase the rates and charges for the services and facilities of the System within 90 days following a determination of the Independent Certified Public Accountant that less than the above-required coverage exists or in the event that the annual audit report shows less than the above-required coverage, such increase to provide rates and charges sufficient to produce such required coverage. The Issuer shall require that each annual audit contain a statement of the auditor that the Issuer is in or is not in compliance with the rate covenant in this Section 6.04.

Section 6.05. Completion of Project; Operation and Maintenance. The Issuer will complete the Project as promptly as possible. The Issuer will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of said System in the manner provided in this Ordinance.

The Issuer will obtain all permits required by state and federal laws for the acquisition and construction of the Project and the operation of the System.

Section 6.06. Sale of the System. So long as the Series 2018 Bonds are Outstanding, the System may be sold, mortgaged, leased or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to defease the pledge created by this Ordinance as provided by Section 9.01. The proceeds from such sale, mortgage, lease or other disposition

of the System shall be immediately remitted to the Bond Commission for deposit in the Series 2018 Bonds Sinking Fund, and otherwise as prescribed by Section 9.01. Any balance remaining after such defeasance shall be remitted to the Issuer by the Bond Commission unless necessary for the payment of other obligations of the Issuer payable out of the Net Revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor is not in excess of $500,000, the Issuer may provide for the sale of such property. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of $500,000 but not in excess of $1,000,000 the Issuer shall first, in writing, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Issuer may then, if it be so advised, by resolution duly adopted, approve and concur in such finding and authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds derived from any such sale, lease or other disposition of such property not in excess of $1,000,000, shall be deposited by the Issuer into the Renewal and Replacement Fund.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom shall be in excess of $1,000,000 and insufficient to defease the pledge created by this Ordinance, as provided by Section 9.01, without the prior approval and consent in writing of any applicable Bond Insurer, if any, and the Holders, or their duly authorized representatives, of 51% in amount of Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the Bond Insurer, if any, and the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 6.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. The Issuer shall not issue any other obligations whatsoever, except Additional Parity Bonds provided for in Section 6.08 hereof, payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from the Net Revenues with the Series 2018 Bonds; and all obligations hereafter issued by the Issuer payable from the revenues of the System, except such Additional Parity Bonds, shall contain an express statement that such obligations are junior and subordinate as to lien on and source of and security for payment from such revenues and in all other respects to the Series 2018 Bonds.

The Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or, except with respect to such Additional Parity Bonds, being on a parity with the lien of the Series 2018 Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Series 2018 Bonds and the interest thereon in this Ordinance or upon the System or any part thereof.

Section 6.08. Additional Parity Bonds. No such additional Parity Bonds shall be issued except for the purposes of financing the costs of the design, acquisition and construction of extensions, additions, betterments or improvements to the System, refunding all or a portion of one or more series of Bonds issued pursuant hereto, or to pay claims which may exist against the revenues or facilities of the System or all of such purposes.

So long as the Series 2018 Bonds are outstanding, no Parity Bonds shall be issued at any time, however, unless and until there has been procured a written statement by Independent Certified Public Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustment hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such additional Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall be not less than 115%, of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

(1) The Bonds then Outstanding;

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

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

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

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

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the 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 the 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 Ordinance with respect to the Bonds then Outstanding, and any other payments provided for in this Ordinance, shall have been made in full as required to the date of issuance of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Ordinance.

Provided, however, that if the most recent audit by an independent certified public accountant for the Issuer states that the Issuer was not in compliance with the rate covenant in Section 6.04 of this Ordinance for the year being audited and the Issuer has, as required by Section 6.04, sought a rate increase sufficient to comply with Section 6.04, such statement in the most recent audit shall not be considered a violation of the covenants, agreements and terms of this Ordinance, so as to prevent the Issuer from issuing additional Parity Bonds under this Section 6.08.

Section 6.09. Insurance and Bonds. The Issuer hereby covenants and agrees, that so long as the Series 2018 Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance and bonds and workers' compensation coverage with a reputable insurance carrier or carriers or bonding company or companies rated at least "A" by Standard & Poor's Corporation covering the following risks and in the following amounts:

A. FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the greater of the fair appraised value or the original cost thereof. In the event of any damage to or destruction of any portion of the System, the Issuer will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damages or destroyed portion. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the Issuer during construction of the Project in the full insurable value thereof.

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

C. WORKERS' COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT OR COMPLETION BONDS, such bonds to be in the amounts of not less than 100% of the amount of any construction contract and to be required of each contractor dealing directly with the Issuer and such payment bonds will be filed with the Clerk of the County Commission of Harrison County prior to commencement of construction of any additions, extensions or improvements for the System in compliance with West Virginia Code, Section 38-2-39.

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

E. BUSINESS INTERRUPTION INSURANCE, to the extent available at reasonable cost to the Issuer.

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

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

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

Section 6.10. No Free Services, Services Rendered to the Issuer. The Issuer will not render or cause to be rendered any free services of any nature by its System; and, in the event the Issuer or any department, agency, instrumentality, officer or employee thereof shall avail himself of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 6.11. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

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

been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 6.12. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 6.13. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Series 2018 Bond, shall have the right at all reasonable times to inspect the System, and all parts thereof, and all records, accounts and data of the Issuer relating thereto.

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

The Issuer shall file with the Original Purchaser and any Bond Insurer, and shall mail to any Bondholder requesting the same, an annual report within 30 days following the date of receipt of the final audit containing a balance sheet, statement of revenues, expenses, and changes in retained earnings, and statement of cash flows, as prescribed by generally accepted accounting principles.

The Issuer shall also file with the Original Purchaser and any Bond Insurer, and mail to any Bondholder requesting the same, a monthly unaudited report within 30 days following the end of each month containing the following:

(A) A statement of Gross Revenues, Operating Expenses, and Net Revenues derived from the System; and

(B) A statement of account balances in the Sinking Fund accounts provided for in this Ordinance and status of said funds.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by an Independent Accountant, shall mail upon request, and make available generally, the report of said Independent Certified Public Accountant, or a summary thereof, to any Holder or Holders of Series 2018 Bonds issued pursuant to this Ordinance and shall file said report with the Original Purchaser.

Section 6.14. Operating Budget. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, or at such earlier date required by the charter of the Issuer, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year. The Issuer shall make available such

budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Original Purchaser and to any Bondholder or anyone acting for and in behalf of such Bondholder who requests the same.

Section 6.15. Mandatory Connections. The mandatory use of the 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 6.16. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2018 Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon the issuance of the Series 2018 Bonds.

Section 6.17. Covenants Regarding the Municipal Bond Insurance Policy. The Issuer may obtain a Municipal Bond Insurance Policy for the Series 2018 Bonds. In the event such Municipal Bond Insurance Policy is obtained, certain additional covenants of the Issuer will be required by the Bond Insurer as a condition to insuring the Series 2018 Bonds. These additional covenants shall be set forth in full in the Supplemental Resolution, shall apply to the Series 2018 Bonds and any other Bonds which may be insured by such Bond Insurer, and shall be controlling in the event any other provisions of this Ordinance may be in conflict therewith.

Section 6.18. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 2018 Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 2018 Bonds during the term thereof is, under the terms of the Series 2018 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or

to be used for a Private Business Use; and (ii) and that, in the event that both (A) in excess of 5% of the Net Proceeds of the Series 2018 Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 2018 Bonds during the term thereof is, under the terms of the Series 2018 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 2018 Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the Project, or if the Series 2018 Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of that portion of the Project to which such Private Business Use is related, all of the foregoing to be determined in accordance with the Code.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Series 2018 Bonds or $5,000,000 are used, directly or indirectly, to make or finance a loan to persons other than state or local government units

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2018 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

D. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 2018 Bonds and the interest thereon, including without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take all actions that may be required of it so that the interest on the Series 2018 Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion. .

Section 6.19. Continuing Disclosures. In order to provide the written undertaking for the benefit of the owners of the Series 2018 Bonds required by the Securities and Exchange Commission Rule 15c2-12, the Issuer shall enter into a Continuing Disclosure Agreement in such form as may be approved by the Supplemental Resolution, and the Mayor are authorized and directed to execute and deliver such Continuing Disclosure Agreement on behalf of the Issuer, with such changes as the Mayor shall approve, such approval to be conclusively evidenced by the execution of such Agreement by the Mayor.

Section 6.20 Preliminary Official Statement; Official Statement. The distribution of the Preliminary Official Statement with respect to the Series 2018 Bonds shall be and the same is hereby approved. The form of the Preliminary Official Statement shall be in such form as may be approved by the Supplemental Resolution. The Mayor is hereby authorized and directed to execute and deliver a final official statement on behalf of the Issuer, which shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be required to reflect the terms of the sale of the Series 2018 Bonds and as the Mayor may approve (the "Official Statement"). The execution of the Official Statement by the Mayor shall be conclusive evidence of such approval. Copies of the Official Statement are hereby authorized to be prepared and furnished to the Original Purchaser for distribution.

Section 6.21. Designation of Series 2018 Bonds as "Qualified Tax-Exempt Obligations". The Issuer hereby designates the Series 2018 Bonds as "qualified tax-exempt obligations" for purposes of paragraph 3 of Section 265(b) of the Code and affirms that not more than $10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income tax purposes (excluding, however, obligations described in Section 265 (b)(3)(C)(ii) of the Code), have been or shall be issued by the Issuer or any entities subordinate to it, during the calendar year 2018, all as determined in accordance with the Code. For purposes of the paragraph and for the purposes of applying such Section 265(b)(3) of the Code, the Issuer and all entities which issue obligations on behalf of the Issuer shall be treated as one issuer; all obligations issued by a subordinate entity shall, for purposes of applying this paragraph and Section 265(b)(3) of the Code to each other entity to which such entity is subordinate, be treated and issued by such other entity; and an entity formed (or, to the extent provided by the City Clerk, as set forth in the Code, availed of) to avoid the purposes of section 265(b)(3)(C) or (D) of the Code and all entities benefitting thereby shall be treated as one issuer.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2018 Bonds:

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

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part in this Ordinance or any Supplemental Resolution or in the Series 2018 Bonds contained, and such default shall have continued for a period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer by any Bondholder, beneficial owner of a Bond, or any Insurer; or

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

Section 7.02. Enforcement. Upon the happening and continuance of any Event of Default, any Bondholder or beneficial owner of a Bond (with the prior written consent of the applicable Bond Insurer) or any Bond Insurer may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular:

(A) Bring suit for any unpaid principal or interest then due;

(B) By mandamus or other appropriate proceeding enforce all rights of the Bondholders, including the right to require the Issuer to perform its duties under the Act and this Ordinance;

(C) Bring suit upon the Series 2018 Bonds, as applicable;

(D) By action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Bondholders; and

(E) By action or bill in equity enjoin any acts in violation of this Ordinance or the rights of the Bondholders.

No remedy by the terms of this Ordinance conferred upon or reserved to the Bondholders or beneficial owner of a Bond is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Bondholders or beneficial owner of a Bond hereunder or now or hereafter existing at law or by statute.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder by the Bondholders shall be made without the prior written consent of the applicable Bond Insurer or shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereto.

Section 7.03. Appointment of Receiver. If there be any Event of Default existing and continuing, any Bondholder, beneficial owner of a Bond or any Bond Insurer shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the principal of and interest on the Series 2018 Bonds, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other Revenues in conformity with the provisions of this Ordinance and the Act.

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

Whenever all that is due upon the Series 2018 Bonds issued pursuant to this Ordinance and interest thereon and under any covenants of this Ordinance for reserve, sinking or other funds and accounts and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Revenues of the System shall have been paid and made good, and all defaults under the provisions of this Ordinance shall have been cured and made good, and all monies due hereunder or under any Supplemental Resolution have been paid in full, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Bondholder or beneficial owner of the 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, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby and a successor receiver appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court

to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and the Holders of the Series 2018 Bonds issued pursuant to this Ordinance. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the Issuer and the Bondholders or beneficial owner of the Bonds, and the curing and making good of any default under the provisions of this Ordinance, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

Notwithstanding any other provision of this Ordinance, in determining whether the rights of the Bondholders or beneficial owner of the Bonds will be adversely affected by any action taken pursuant to the terms and provisions of this Ordinance, any trustee or Bondholder's committee shall consider the effect on the Bondholders or beneficial owner of the Bonds as if no Municipal Bond Insurance Policy were then in effect.

Section 7.04. Restoration of Issuer and Bondholder. In case any Bondholder shall have proceeded to enforce any right under this Ordinance by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Issuer and such Bondholder shall be restored to their former positions and rights hereunder, and all rights and remedies of such Bondholder shall continue as if no such proceedings had been taken.

ARTICLE VIII

REGISTRAR AND PAYING AGENT

Section 8.01. Appointment of Registrar. The Registrar for the Series 2018 Bonds shall be appointed pursuant to the Supplemental Resolution. The Issuer is hereby authorized and directed to enter into an agreement with the Registrar, the substantial form of which agreement is to be approved by Supplemental Resolution.

Section 8.02. Responsibilities of Registrar. The recitals of fact in the Bonds shall be taken as statements of the Issuer, and the Registrar shall not be responsible for their accuracy. The Registrar shall not be deemed to make any representation as to, and shall not incur any liability on account of, the validity of the execution of any Series 2018 Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication on the Series 2018 Bonds. The Registrar and any successor thereto shall agree to perform all the duties and responsibilities spelled out in this Ordinance and any other duties and responsibilities incident thereto, all as provided by said agreement described in Section 8.01.

Section 8.03. Evidence on Which Registrar May Act. Except as otherwise provided by Section 10.02, the Registrar shall be protected in acting upon any notice, resolution, request, consent,

order, certificate, opinion or other document believed by it to be genuine and to have been signed or presented by the proper party or parties. Whenever the Registrar shall deem it necessary or desirable that a fact or matter be proved or established prior to taking or suffering any action, such fact or matter, unless other evidence is specifically prescribed, may be deemed to be conclusively proved and established by a certificate of an Authorized Officer of the Issuer, but in its discretion the Registrar may instead accept other evidence of such fact or matter.

Section 8.04. Compensation and Expenses. The Issuer shall pay to the Registrar from time to time reasonable compensation for all services, including the transfer of registration of Series 2018 Bonds, the first exchange of Series 2018 Bonds and the exchange of Series 2018 Bonds in the event of partial redemption, incurred in the performance of its duties hereunder.

Section 8.05. Certain Permitted Acts. The Registrar may become the owner of or may deal in Series 2018 Bonds as fully and with the same rights it would have if it were not Registrar. To the extent permitted by law, the Registrar may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or effect or aid in any reorganization growing out of the enforcement of the Series 2018 Bonds, or this Ordinance, whether or not any such committee shall represent the Holders of a majority in principal amount of the Series 2018 Bonds Outstanding.

Section 8.06. Resignation of Registrar. The Registrar may at any time resign and be discharged of its duties and obligations under this Ordinance by giving not less than 60 days written notice to the Issuer and mailing such notice to each Bondholder, specifying the date when such resignation shall take effect, within 20 days after the giving of such written notice.. Such resignation shall take effect upon the day specified in such notice unless a successor shall have been previously appointed by the Issuer or bondholders, in which event such resignation shall take effect immediately, provided, that in no event shall such resignation take effect until a successor has been appointed and has accepted its duties as Registrar.

Section 8.07. Removal. The Registrar may be removed at any time by the Issuer, the applicable Bond Insurer or by the Holders of a majority in principal amount of the Series 2018 Bonds then Outstanding by an instrument or concurrent instruments in writing signed and duly acknowledged by the Issuer, the applicable Bond Insurer or by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer, as the case may be. Copies of each such instrument shall be delivered by the Issuer to the Registrar. Such removal shall take effect upon the date stated in such instrument, provided, that in no event shall such removal take effect until a successor has been appointed and has accepted its duties as Registrar.

Section 8.08. Appointment of Successor. In case at any time the Registrar shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Registrar or of its property shall be appointed, or if any public officer or court shall take charge or control of the Registrar or of its property or affairs, a successor may be appointed by the Holders of a majority in principal amount of the Series 2018 Bonds then Outstanding by an instrument or concurrent instruments in writing signed by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer and such successor Registrar, notification thereof being given to the predecessor Registrar. Pending such appointment, the Issuer shall forthwith appoint a Registrar to fill such vacancy until a successor Registrar shall be appointed by such Bondholders. The Issuer shall mail to each Bondholder notice of any such appointment within 20 days after the effective

date of such appointment. Any successor Registrar appointed by the Issuer shall, immediately and without further act, be superseded by a Registrar appointed by such Bondholders. If in a proper case no appointment of a successor Registrar shall be made within 45 days after the Registrar shall have given to the Issuer written notice of resignation or after the occurrence of any other event requiring such appointment, the Registrar or any Bondholder may apply to any court of competent jurisdiction to appoint a successor. Any Registrar appointed under the provisions of this section shall be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Ordinance.

Section 8.09. Transfer of Rights and Property to Successor. Any predecessor Registrar or Paying Agent shall pay over, assign and deliver any monies, books and records held by it to its successor.

Section 8.10. Merger or Consolidation. Any company into which the Registrar may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which the Registrar or any public officer or court may sell or transfer all or substantially all of its corporate trust business, shall be the successor to such Registrar without the execution or filing of any paper or the performance of any further act; provided, however, that such company shall be a bank, trust company or national banking association meeting the requirements set forth in Section 8.08.

Section 8.11. Adoption of Authentication. In case any of the Series 2018 Bonds shall have been authenticated but not delivered, any successor Registrar may adopt a Certificate of Authentication and Registration executed by any predecessor Registrar and deliver such Bonds so authenticated, and, in case any Bonds shall have been prepared but not authenticated, any successor Registrar may authenticate such Bonds in the name of the predecessor Registrar or in its own name.

Section 8.12. Paying Agent. The West Virginia Municipal Bond Commission shall initially serve as Paying Agent. Any alternate Paying Agent must be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Ordinance. Such alternate Paying Agent shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the Issuer a written acceptance thereof. Any successor Paying Agent shall take such actions as may be necessary to ensure that the Series 2018 Bonds shall be and remain DTC-Eligible.

Each Paying Agent shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by such Paying Agent in connection with such services solely from monies available therefor.

Any bank, trust company or national banking association with or into which any Paying Agent may be merged or consolidated, or to which the assets and business of such Paying Agent may be sold, shall be deemed the successor of such Paying Agent for the purposes of this Ordinance. If the position of Paying Agent shall become vacant for any reason, the Issuer shall, within 30 days thereafter, appoint a bank, trust company or national banking association located in the same city as such Paying Agent to fill such vacancy; provided, however, that, if the Issuer shall fail to appoint such Paying Agent within said period, the Bond Commission, a court of competent jurisdiction or a majority of the Bondholders may make such appointment.

The Paying Agents shall enjoy the same protective provisions in the performance of their duties hereunder as are specified in this Article VIII with respect to the Registrar, insofar as such provisions may be applicable.

Notice of the appointment of successor or additional Paying Agents or fiscal agents shall be given in the same manner as provided by Section 8.08 hereof with respect to the appointment of a successor Registrar.

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

ARTICLE IX

DEFEASANCE; DISCHARGE OF PLEDGE OF ORDINANCE

Section 9.01. Defeasance; Discharge of Pledge of Ordinance. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 2018 Bonds the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Ordinance, and all other monies due hereunder have been paid, then this Ordinance and the pledges of the Net Revenues and other monies and securities pledged hereunder, and all covenants, agreements and other obligations of the Issuer on behalf of the Holders of the Series 2018 Bonds made hereunder, as applicable, shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with the monies, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on such Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 2018 Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Bond Commission or an escrow trustee either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with the monies, if any, deposited with the Bond Commission or said escrow trustee at the same or earlier time shall be sufficient, to pay when due the principal of, any redemption premium on and interest due and to become due on said Bonds on and prior to the maturity date thereof, or if the Issuer irrevocably determines to redeem any of said Bonds prior to the maturity thereof, on and prior to said Redemption Date. Neither securities nor monies deposited with the Bond Commission or an escrow trustee pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on said Bonds; provided, that any cash received from such principal, redemption premium, if any, and interest payments on such securities deposited with the Bond Commission or said escrow trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of and redemption premium, if any, and interest to become due on said Bonds on and prior to such maturity or Redemption Dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Bond Commission or said escrow trustee, free and clear of any trust, lien or pledge.

ARTICLE X

MISCELLANEOUS

Section 10.01. Amendment of Ordinance. Prior to issuance of the Series 2018 Bonds, this Ordinance may be amended, modified or supplemented in any way by the Supplemental Resolution. All provisions required by the Bond Insurer, if any, shall be set forth in the Supplemental Resolution and to the extent they constitute an amendment or modification of this Ordinance, shall be controlling. Following issuance of the Series 2018 Bonds, this Ordinance and any Supplemental Resolution may, without the consent of any Bondholder or other person, be amended, modified or supplemented in any manner which, in the opinion of Bond Counsel, does not materially adversely affect the interests of the Bondholders or any Bond Insurer; provided, that in the event any of the Bonds are insured, no such amendment or modification which affects the rights of the applicable Bond Insurer for such Bonds may be made without the written consent of such Bond Insurer. Otherwise, no materially adverse amendment or modification to this Ordinance, or of any Supplemental Resolution, may be made without the written consent of the Holders of 60% in aggregate principal amount of the Series 2018 Bonds then Outstanding and affected thereby and the Bond Insurer, if any, which must be filed with the City Clerk of the Issuer before any such modification or amendment may be made. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Bond without the express written consent of the Holder of such Bond, nor reduce the percentage of Series 2018 Bonds required for consent to any such modification or amendment.

Section 10.02. Evidence of Signatures of Bondholders and Ownership of Bonds. Any request, consent, revocation of consent or other instrument which this Ordinance may require or permit to be signed and executed by Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys duly authorized in writing. Proof of the execution of any such instrument, or of an instrument appointing or authorizing any such attorney, shall be sufficient for any purpose of this Ordinance if made in the following manner, or in any other manner satisfactory to the Issuer or the Registrar, as the case may be, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

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

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

C. The amount of fully registered Series 2018 Bonds held by a person executing any instrument as a Bondholder, the date of his holding such Series 2018 Bonds and the numbers and other identification thereof, shall be confirmed by the Bond Register.

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

Section 10.03. Preservation and Inspection of Documents. To the extent allowable under law, all reports, certificates, statements and other documents received by the Registrar under the provisions of this Ordinance shall be retained in its possession and shall be available at all reasonable times for the inspection of the Issuer or any Bondholder, and their agents and their representatives, but any such reports, certificates, statements or other documents may, at the election of the Registrar, be destroyed or otherwise disposed of at any time after such date as the pledge created by this Ordinance shall be discharged as provided in Section 9.01.

Section 10.04. Cancellation of Bonds. All Series 2018 Bonds purchased or paid shall, if surrendered to the Issuer, be canceled and delivered to the Registrar, or, if surrendered to the Registrar, be canceled by it. No such Bonds shall be deemed Outstanding under this Ordinance and no Series 2018 Bonds shall be issued in lieu thereof. All such Bonds shall be canceled and upon order of the Issuer shall be destroyed, and a certificate evidencing such destruction shall be delivered to the Issuer.

Section 10.05. Failure to Present Bonds. Anything in this Ordinance to the contrary notwithstanding, any monies held by the Bond Commission or a Paying Agent in trust for the payment and discharge of any of the Series 2018 Bonds which remain unclaimed for two years after the date on which such Bonds have become due and payable, whether by maturity or upon call for redemption, shall at the written request of the Issuer be paid by the Bond Commission or said Paying Agent to the Issuer as its absolute property and free from trust, and the Bond Commission or said Paying Agent shall thereupon be released and discharged with respect thereto, and the Holders of such Bonds shall look only to the Issuer for the payment of such Bonds; provided, however, that, before making any such payment to the Issuer, the Registrar, if so advised by the Bond Commission, or said Paying Agent shall send to the Holder, at the address listed on the Bond Register, by certified mail, a notice that such monies remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of such notice is mailed, the balance of such monies then unclaimed will be returned to the Issuer.

Section 10.06. Notices, Demands and Requests. Unless otherwise expressly provided, all notices, demands and requests to be given or made hereunder to or by the Issuer, the Registrar, the Depository Bank, the Original Purchaser or the Bond Insurer, if any, shall be in writing and shall be properly made if sent by United States mail, postage prepaid, and addressed as follows or if hand-delivered to the individual to whom such notice, demand or request is required to be directed as indicated below:

ISSUER
City of Salem
229 W. Main Street
Salem, West Virginia 26426
Attention: Mayor

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

PAYING AGENT
West Virginia Municipal Bond Commission
900 Pennsylvania Avenue, Suite 1117
Charleston, West Virginia 25302
Attn: Executive Director

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

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

BOND INSURER
[Name(s) and address(es) to be set forth in the Supplemental Resolution, if any]

Any party listed above may change such address listed for it at any time upon written notice of change sent by United States mail, postage prepaid, to the other parties.

Section 10.07. No Personal Liability. No member of the Council, the Issuer or officer or employee of the Issuer shall be individually or personally liable for the payment of the principal of or the interest on any Bond, but nothing herein contained shall relieve any such member, official or employee from the performance of any official duty provided by law or this Ordinance.

Section 10.08. Law Applicable. The laws of the State shall govern the construction of this Ordinance and of all Series 2018 Bonds issued hereunder.

Section 10.09. Parties Interested Herein. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2018 Bonds, the beneficial owners of the Series 2018 Bonds, the applicable Bond Insurer, if any, and the Original Purchaser, any right, remedy or claim under or by reason of this Ordinance. All the covenants, stipulations, promises and agreements contained in this Ordinance by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2018 Bonds, the Bond Insurer, if any, and the Original Purchaser.

Section 10.10. Reserved

Section 10.11. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Ordinance shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Ordinance.

Section 10.12. Table of Contents and Headlines. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 10.13. Conflicting Provisions Repealed. All ordinances, orders, resolutions or parts thereof in conflict with the provisions of this Ordinance, are, to the extent of such conflict, hereby repealed.

Section 10.14. Procedure on Enactment of Ordinance; Public Hearing. Upon adoption hereof, an abstract of this Ordinance determined by the Governing Body to contain sufficient information as to give notice of the contents hereof shall be published once a week for 2 successive weeks within a period of fourteen consecutive days, with at least 6 full days intervening between each publication, in the *Clarksburg Exponent Telegram*, a newspaper of general circulation in the City of Salem, together with a notice stating that this Ordinance has been adopted and that the Issuer contemplates the issuance of the Series 2018 Bonds, and that any person interested may appear before the Governing Body upon a date certain, not less than ten days subsequent to the date of the first publication of such abstract of this Ordinance and notice, and present protests, and that a certified copy of this Ordinance is on file with the Governing Body for review by interested persons during office hours of the Governing Body. At such hearing, all objections and suggestions shall be heard and the Governing Body shall take such action as it shall deem proper in the premises.

Section 10.15 Effective Date. This Ordinance shall become effective 30 days following public hearing and enactment hereon in accordance with the Act.

First Reading:	June 27, 2017
Second Reading:	July 11, 2017
Effective following Public Hearing held on:	July 25, 2017

CITY OF SALEM

_____

Mayor

CERTIFICATION

Certified a true, correct and complete copy of an Ordinance duly enacted by the City Council of the CITY OF SALEM at a regular meeting of the City Council held on July 25, 2017 as supplemented by Supplemental Parameters Resolution adopted February 13, 2018.

[SEAL]

_____

City Clerk

EXHIBIT A-1 – FORM OF SERIES 2018 A BONDS

[DTC Legend]

No. AR-_____ $_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF SALEM, WEST VIRGINIA
SEWER REFUNDING REVENUE BONDS, SERIES 2018 A (BANK QUALIFIED)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
_____%	_____	_____	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF SALEM (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on _____ 1 and _____ 1, in each year, beginning _____ 1, 20__ (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter-described Ordinance.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying

agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each _____ 15 and _____ 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by _____, _____, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least $1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $_____ designated the "City of Salem Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified)" (the "Series 2018 A Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated _____, 2018, upon original issuance, the proceeds of which are to be used, together with other funds of the Issuer, (i) to currently refund the Issuer's Sewer Revenue Bonds, Series 1995 B, (ii) to fund a reserve account for the Series 2018 A Bonds, and (iii) to pay certain costs of issuance of the Series 2018 A Bonds and related costs. The Series 2018 A Bonds are issued under the authority of and in full compliance with the Constitution and statute of the State of West Virginia, including particularly, Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act"), and an ordinance duly enacted by the City Council of the Issuer on July 25, 2017, and supplemented by a Supplemental Parameters Resolution and Conformed Ordinance adopted by said Council on _____, 2018 (hereinafter collectively referred to as the "Ordinance"), and is subject to all the terms and conditions of said Ordinance. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Series 2018 A Bonds under the Ordinance. Reference is hereby made to the Ordinance, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Series 2018 A Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Ordinance are on file at the office of the City Clerk in the City of Salem, West Virginia.

[The Series 2018 A Bonds are additionally secured, but only to the extent described in the Statement of Insurance printed on the Bonds, by a policy of municipal bond insurance issued by [Bond Insurer].]

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S SEWER REVENUE BONDS, SERIES 2018 B, DATED _____, 2018, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "SERIES 2018 B BONDS").

The Series 2018 A Bonds are subject to redemption prior to their stated maturity dates, as provided in the Ordinance and as set forth in the following lettered paragraphs:

(A) Optional Redemption. The Bonds are subject to optional redemption prior to maturity as follows:

(B) Mandatory Sinking Fund Redemption. The Bonds maturing on _____, 20_____ and 20_____ are subject to annual mandatory sinking fund redemption prior to maturity by random selection as may be determined by the Registrar, on _____ 1 of the years and in the principal amounts set forth below, at the Redemption Price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Bonds Maturing 1, 20

	Year (1)	Principal Amount

Bonds Maturing 1, 20

	Year (1)	Principal Amount

_____
* Final Maturity

In the event of any redemption of less than all outstanding Series 2018 A Bonds, the maturities to be redeemed shall be selected by the Paying Agent at the direction of the Issuer and Series 2018 A Bonds to be redeemed shall be determined by lot within a maturity, or in such other manner deemed appropriate by the Paying Agent. If less than all the Series 2018 A Bonds are to be redeemed, the Series 2018 A Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Series 2018 A Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2018 A Bond or Series 2018 A Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Paying Agent. Such notice shall also be given by the Paying Agent to the Registrar. Notice of redemption having been given as aforesaid, the Series 2018 A Bonds or portions of Series 2018 A Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Series 2018 A Bonds or portions of Series 2018 A Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Series 2018 A Bond.

The Series 2018 A Bonds and the interest thereon are payable only from and are secured by the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System, on a parity in all respects with the pledge of the Net Revenues created in favor of the holders of the Series 2018 B Bonds, all monies in the Series 2018 A Bonds Sinking Fund, and the Series 2018 A Bonds Reserve Account therein, established under the Ordinance, and the unexpended proceeds of the Series 2018 A Bonds, and the Issuer hereby and in the Ordinance pledges such revenues and monies to such payment. Said Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Ordinance. This Series 2018 A Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the monies in the Series 2018 A Bonds Sinking Fund and the Series 2018 A Bonds Reserve Account and said unexpended Series 2018 A Bond proceeds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Series 2018 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2018 A Bonds, including the Series 2018 B Bonds. The Issuer has entered into certain further covenants with the registered owners of the Series 2018 A Bonds, for the terms of which reference is made to the Ordinance. Remedies provided the registered owners of the Series 2018 A Bonds are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest thereon shall be applied solely to pay all costs of the Project, funding a reserve account for the Series 2018 A Bonds and pay costs of issuance of the Bonds, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owners of said Series 2018 A Bonds.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Series 2018 A Bond have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Series 2018 A Bond, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Series 2018 A Bonds of which this Series 2018 A Bond is one.

This Series 2018 A Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the within-described Ordinance.

The Issuer has designated the Series 2018 A Bonds as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code

This Series 2018 A Bond and the income therefrom are, under the Act, exempt from all taxation by the State of West Virginia, or any county, municipality, political subdivision or agency thereof.

This Series 2018 A Bond shall not be entitled to any benefit under the Ordinance, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

All provisions of the Ordinance, and the statutes under which this Series 2018 A Bond is issued shall be deemed to be a part of the contract evidenced by this Series 2018 A Bond to the same extent as if written fully herein.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the CITY OF SALEM (West Virginia) has caused this Bond to be signed by its Mayor and City Clerk, and its corporate seal to be imprinted hereon and attested by its City Clerk, and has caused this Series 2018 A Bond to be dated as of the Series 2018 A Bond date specified above.

[SEAL]

[Manual or facsimile signature]
Mayor

ATTEST:

[Manual or facsimile signature]
City Clerk

CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This Series 2018 A Bond is one of the fully registered Series 2018 A Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Series 2018 A Bonds.

Dated: _____, 2018.

United Bank
As Registrar

By _____
Its Authorized Officer

(FORM OF)
ASSIGNMENT

Social Security or Other Identifying Number of Assignee

_____

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

Dated: _____, 20___.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

EXHIBIT A-2 – FORM OF SERIES 2018 B BONDS

[DTC Legend]

No. BR-_____ $_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF SALEM, WEST VIRGINIA
SEWER REVENUE BONDS, SERIES 2018 B (BANK QUALIFIED)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
_____%	_____	_____	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF SALEM (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on _____ 1 and _____ 1, in each year, beginning _____ 1, 20__ (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter-described Ordinance.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each _____ 15 and _____ 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by _____, _____, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least $1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $_____ designated the "City of Salem Sewer Revenue Bonds, Series 2018 B (Bank Qualified)" (the "Series 2018 B Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated _____, 2018, upon original issuance, the proceeds of which are to be used, together with other funds of the Issuer, (i) to finance the cost of acquisition and construction of certain additions, betterments and improvements to the sewer system of the Issuer, (ii) to fund a reserve account for the Series 2018 B Bonds, and (iii) to pay certain costs of issuance of the Series 2018 Bonds and related costs. The Series 2018 B Bonds are issued under the authority of and in full compliance with the Constitution and statute of the State of West Virginia, including particularly, Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act"), and an ordinance duly enacted by the City Council of the Issuer on July 25, 2017, and supplemented by a Supplemental Parameters Resolution and Conformed Ordinance adopted by said Council on _____, 2018 (hereinafter collectively referred to as the "Ordinance"), and is subject to all the terms and conditions of said Ordinance. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Series 2018 B Bonds under the Ordinance. Reference is hereby made to the Ordinance, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Series 2018 B Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Ordinance are on file at the office of the City Clerk in the City of Salem, West Virginia.

[The Series 2018 B Bonds are additionally secured, but only to the extent described in the Statement of Insurance printed on the Bonds, by a policy of municipal bond insurance issued by [Bond Insurer].]

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S SEWER REFUNDING REVENUE BONDS, SERIES 2018 A, DATED _____, 2018, ISSUED CONCURRENTLY HEREWITH IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "SERIES 2018 A BONDS

The Series 2018 B Bonds are subject to redemption prior to their stated maturity dates, as provided in the Ordinance and as set forth in the following lettered paragraphs:

(A) Optional Redemption. The Bonds are subject to optional redemption prior to maturity as follows:

(B) Mandatory Sinking Fund Redemption. The Bonds maturing on _____, 20_____ and 20_____ are subject to annual mandatory sinking fund redemption prior to maturity by random selection as may be determined by the Registrar, on _____ 1 of the years and in the principal amounts set forth below, at the Redemption Price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Bonds Maturing 1, 20

Year (1)	Principal Amount

Bonds Maturing 1, 20

Year (1)	Principal Amount

_____
* Final Maturity

In the event of any redemption of less than all outstanding Series 2018 B Bonds, the maturities to be redeemed shall be selected by the Paying Agent at the direction of the Issuer and Series 2018 B Bonds to be redeemed shall be determined by lot within a maturity, or in such other manner deemed appropriate by the Paying Agent. If less than all the Series 2018 B Bonds are to be redeemed, the Series 2018 B Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Series 2018 B Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2018 B Bond or Series 2018 B Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Paying Agent. Such notice shall also be given by the Paying Agent to the Registrar. Notice of redemption having been given as aforesaid, the Series 2018 B Bonds or portions of Series 2018 B Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Series 2018 B Bonds or portions of Series 2018 B Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Series 2018 B Bond.

The Series 2018 B Bonds and the interest thereon are payable only from and are secured by the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System, on a parity in all respects with the pledge of the Net Revenues created in favor of the holders of the series 2018 A Bonds, all monies in the Series 2018 B Bonds Sinking Fund, and the Series 2018 B Bonds Reserve Account therein, established under the Ordinance, and the unexpended proceeds of the Series 2018 B Bonds, and the Issuer hereby and in the Ordinance pledges such revenues and monies to such payment. Said Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Ordinance. This Series 2018 B Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the monies in the Series 2018 B Bonds Sinking Fund and the Series 2018 B Bonds Reserve Account and said unexpended Series 2018 B Bond proceeds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Series 2018 B Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2018 B Bonds, including the Series 2018 A Bonds. The Issuer has entered into certain further covenants with the registered owners of the Series 2018 B Bonds, for the terms of which reference is made to the Ordinance. Remedies provided the registered owners of the Series 2018 B Bonds are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest thereon shall be applied solely to pay all costs of the Project, funding a reserve account for the Series 2018 B Bonds and pay costs of issuance of the Bonds, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owners of said Series 2018 B Bonds.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Series 2018 B Bond have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Series 2018 B Bond, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Series 2018 B Bonds of which this Series 2018 B Bond is one.

This Series 2018 B Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the within-described Ordinance.

The Issuer has designated the Series 2018 B Bonds as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code

This Series 2018 B Bond and the income therefrom are, under the Act, exempt from all taxation by the State of West Virginia, or any county, municipality, political subdivision or agency thereof.

This Series 2018 B Bond shall not be entitled to any benefit under the Ordinance, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

All provisions of the Ordinance, and the statutes under which this Series 2018 B Bond is issued shall be deemed to be a part of the contract evidenced by this Series 2018 B Bond to the same extent as if written fully herein.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the CITY OF SALEM (West Virginia) has caused this Bond to be signed by its Mayor and City Clerk, and its corporate seal to be imprinted hereon and attested by its City Clerk, and has caused this Series 2018 B Bond to be dated as of the Series 2018 B Bond date specified above.

[SEAL]

[Manual or facsimile signature]
Mayor

ATTEST:

[Manual or facsimile signature]
City Clerk

CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This Series 2018 B Bond is one of the fully registered Series 2018 B Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Series 2018 B Bonds.

Dated: _____, 2018.

United Bank
As Registrar

By _____
Its Authorized Officer

(FORM OF)
ASSIGNMENT

Social Security or Other Identifying Number of Assignee

_____

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

Dated: _____, 20___.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

SUPPLEMENTAL PARAMETERS RESOLUTION

SUPPLEMENTAL RESOLUTION AUTHORIZING AND APPROVING CERTAIN PARAMETERS AS TO DATES, AMOUNTS, MATURITIES, INTEREST RATES, REDEMPTION PROVISIONS, PURCHASE PRICE AND OTHER DETAILS AS TO THE SEWER REFUNDING REVENUE BONDS, SERIES 2018 A (BANK QUALIFIED) AND SEWER REVENUE BONDS, SERIES 2018 B (BANK QUALIFIED) OF THE CITY OF SALEM; AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF SUCH BONDS TO THE ORIGINAL PURCHASER; AUTHORIZING AND APPROVING A TAX COMPLIANCE POLICY, A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT, A REGISTRAR AGREEMENT, A PRELIMINARY OFFICIAL STATEMENT; AN OFFICIAL STATEMENT, A CERTIFICATE OF DETERMINATIONS AND OTHER INSTRUMENTS RELATING TO THE BONDS; APPOINTING A REGISTRAR; PAYING AGENT AND DEPOSITORY BANK FOR SUCH BONDS; APPROVING A CONFORMED ORDINANCE; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the City Council (the "Governing Body") of the City of Salem (the "Issuer" or "Governmental Agency") has duly and officially adopted and enacted a bond ordinance on July 25, 2017 effective August 25, 2017 (the "Bond Ordinance"), entitled:

AN ORDINANCE AUTHORIZING THE REFUNDING OF THE ISSUER'S OUTSTANDING SEWER REVENUE BONDS, SERIES 1995 B AND THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING SEWER SYSTEM OF THE CITY OF SALEM AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $1,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REFUNDING REVENUE BONDS, SERIES 2017 A (TAX EXEMPT); AND NOT MORE THAN $2,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2017 B (TAX EXEMPT); PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE BONDS; AND ENACTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

WHEREAS, capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Conformed Bond Ordinance attached as Exhibit A when used herein;

WHEREAS, the Issuer desires to amend the Bond Ordinance though this Supplemental Parameters Resolution and Conformed Ordinance (collectively, the "Bond Legislation")

WHEREAS, the Sewer Refunding Revenue Bonds, Series 2017 A and Sewer Revenue Bonds, Series 2017 B were not issued in 2017, but will be issued in 2018;

WHEREAS, the Governing Body desires to re-designate the Sewer Refunding Revenue Bonds, Series 2017 A and Sewer Revenue Bonds, Series 2017 B as Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified) and Sewer Revenue Bonds, Series 2018 B (Bank Qualified) respectively;

WHEREAS, the Bond Legislation provides for the issuance by the Issuer of its Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified), in the aggregate principal amount of not more than $1,500,000, for the purposes of (i) refunding the Series 1995 B Bonds; (ii) funding the Series 2018 A Bonds Reserve Account; and (iii) paying costs of issuance of the Series 2018 A Bonds, and Sewer Revenue Bonds, Series 2018 B (Bank Qualified), in the aggregate principal amount of not more than $2,500,000 for the purposes of (i) paying the costs of acquisition and construction of additions, betterments and improvements to the System; (ii) funding the Series 2018 B Bonds Reserve Account; and (iii) paying costs of issuance thereof, all in accordance with Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, the Ordinance further provided that the exact dates, amounts, maturities, interest rates, redemption provisions, purchase price and other terms of the Series 2018 Bonds should be established by supplemental resolution or by a Certificate of Determinations, that a Registrar, Paying Agent and Depository Bank be designated, that a Bond Purchase Agreement, a Continuing Disclosure Agreement, a Registrar Agreement and an Official Statement be approved and that other matters pertaining to the Series 2018 Bonds be provided for by a supplemental resolution of the Governing Body or pursuant to a Certificate of Determinations, and that additional covenants and provisions relating to the Series 2018 Bonds be provided therein be provided for by a supplemental resolution of this Governing Body or by Certificate of Determinations;

WHEREAS, the Series 2018 Bonds are proposed to be purchased by Crews & Associates, Inc. (the "Original Purchaser"), pursuant to a Bond Purchase Agreement between the Original Purchaser and the Issuer, to be dated the date of execution thereof (the "Bond Purchase Agreement");

WHEREAS, the Governing Body wishes to delegate to the Mayor the authority to approve, within the parameters set forth herein and in the Ordinance, the final terms of the Series 2018 Bonds and all provisions of all documents relating to the Series 2018 Bonds (the "Bond Documents"), without the requirement of further official action by this Governing Body; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental parameters resolution (the "Supplemental Parameters Resolution") be adopted, that the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Tax Certificate, and the Registrar Agreement hereinafter provided for be entered into by the Issuer, that the Preliminary Official Statement and Official Statement relating to the Series 2018 Bonds, hereinafter described, be approved, that the Mayor be

authorized to execute the Certificate of Determinations and enter into the Bond Purchase Agreement, all within the parameters hereby approved by the Governing Body, and that other matters relating to the Series 2018 Bonds be herein provided for, all in accordance with the Ordinance.

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

Section 1. Pursuant to the Ordinance and the Act, this Supplemental Parameters Resolution is adopted and there are hereby authorized and ordered to be issued the Series 2018 Bonds. The Series 2018 Bonds shall be issued in the aggregate principal amount not to exceed $4,000,000, bear interest at an interest rate not to exceed 6.0% payable semiannually, shall mature in not more than 30 years from the date of issue, shall be dated such date, upon original issuance, shall mature in such principal amounts on such dates, and shall be subject to such redemption provisions, all as shall subsequently be approved by the Mayor pursuant to the execution and delivery by the Mayor of a Certificate of Determinations with respect to the Series 2018 Bonds, dated the date of the Bond Purchase Agreement, the form of which is attached hereto as EXHIBIT B and approved hereby (the "Certificate of Determinations"), and shall be substantially in the form set forth in the Ordinance, provided however, that the specific terms of the Series 2018 Bonds shall be as determined by the Mayor at the time of the execution of the Bond Purchase Agreement and as approved by the Mayor in the Certificate of Determinations.

Section 3. The Bond Purchase Agreement by and between the Original Purchaser and the Issuer, substantially in the form to be approved pursuant to the execution and delivery by the Mayor of the Certificate of Determinations, and the execution and delivery (in multiple counterparts) by the Mayor thereof shall be and the same are hereby authorized, approved, and directed. The Mayor shall execute the Bond Purchase Agreement on behalf of the Issuer with such changes, insertions and omissions as may be approved by the Mayor. The execution of the Bond Purchase Agreement by the Mayor shall be conclusive evidence of any approval required by this Section, and authorization of any action required by the Bond Purchase Agreement relating to the issuance and sale of the Series 2018 Bonds, including the payment of all necessary fees and expenses in connection therewith.

Section 4. A. The Tax Certificate, to be dated the date of execution and delivery of the Bonds (the "Tax Certificate"), and executed and delivered by the Issuer, substantially in the form to be approved pursuant to the execution and delivery by the Mayor of the Certificate of Determinations, and the execution and delivery (in multiple counterparts) by the Mayor thereof shall be and the same are hereby authorized, approved and directed. The Mayor shall execute and deliver the Tax Certificate with such changes, insertions and omissions as may be approved by the Mayor. The execution of the Tax Certificate by the Mayor shall be conclusive evidence of any approval required by this Section.

B. The Issuer hereby approves the Tax Compliance policy attached hereto as EXHIBIT C.

Section 5. A. The Continuing Disclosure Agreement, to be dated the date of execution and delivery of the Series 2018 Bonds (the "Disclosure Agreement"), by and between the Issuer and the Dissemination Agent named therein, substantially in the form to be approved pursuant to the execution and delivery by the Mayor of the Certificate of Determinations, and the execution and delivery

(in multiple counterparts) by the Mayor thereof shall be and the same are hereby authorized, approved and directed. The Mayor shall execute and deliver the Disclosure Agreement with such changes, insertions and omissions as may be approved by the Mayor. The execution of the Disclosure Agreement by the Mayor shall be conclusive evidence of any approval required by this Section.

B. The Issuer hereby approves the Continuing Disclosure Policy attached hereto as EXHIBIT D.

Section 6. The distribution by the Original Purchaser of a Preliminary Official Statement (which is a "deemed final" official statement in accordance with SEC Rule 15c2-12), substantially in the form submitted to this meeting is hereby ratified and approved. The certificate of the Issuer relating to compliance with SEC Rule 15c2-12 and the execution and delivery thereof by the Mayor is hereby approved. The Official Statement to be substantially in the form of the Preliminary Official Statement, (with such changes, insertions and omissions as may be necessary or advisable in the opinion of the Mayor) and the distribution of counterparts or copies thereof by the Original Purchaser are hereby approved. The Mayor shall execute and deliver the Official Statement with such changes, insertions and omissions as may be approved. The execution of the Official Statement by the Mayor shall be conclusive evidence of any approval required by this Section.

Section 7. The Registrar Agreement by and between the Issuer and the Registrar designated herein, substantially in the form to be approved pursuant to the execution and delivery by the Mayor of the Certificate of Determinations, and the execution and delivery (in multiple counterparts) by the Mayor thereof shall be and the same are hereby authorized, approved and directed. The Mayor shall execute and deliver the Registrar Agreement with such changes, insertions and omissions as may be approved by the Mayor. The execution of the Registrar Agreement by the Mayor shall be conclusive evidence of any approval required by this Section.

Section 8. The firm of Steptoe & Johnson PLLC, Charleston, West Virginia, is hereby appointed bond counsel to the Issuer in connection with the issuance of the Series 2018 Bonds.

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

Section 10. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission for the purpose of serving in the capacity of Paying Agent.

Section 11. The notice addresses for the Registrar, Paying Agent and Original Purchaser shall be as follows:

REGISTRAR
United Bank
500 Virginia Street, East
Charleston, West Virginia 25301
Attention: Corporate Trust Department

PAYING AGENT
West Virginia Municipal Bond Commission
900 Pennsylvania Avenue, Suite 117
Charleston, West Virginia 25302
Attention: Executive Director

ORIGINAL PURCHASER
Crews & Associates, Inc.
69 Clay Street, Suite 202
Morgantown, West Virginia 26501

Section 14. The Mayor and City Clerk are hereby authorized and directed to execute and deliver such other documents and certificates, including a tax certificate, required or desirable in connection with the Series 2018 Bonds issue to the end that the Series 2018 Bonds may be delivered as provided in the Bond Purchase Agreement.

Section 15. The refunding of the Series 1995 B Bonds and the financing of the project with proceeds of the Series 2018 Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 16. The Mayor and City Clerk, and all other appropriate officers and employees of the Issuer are hereby authorized, empowered and directed to do any and all things proper and necessary to cause the Series 2018 Bonds to be duly and properly issued by the Issuer and delivered to the Original Purchaser as herein authorized and to otherwise facilitate the transaction contemplated by this Supplemental Parameters Resolution, and no further authority shall be necessary to authorize any such officers or employees to give such further assurance and do such further acts as may be legally required.

[Remainder of Page Intentionally Blank]

Section 17. This Supplemental Parameters Resolution shall be effective immediately following adoption hereof.

Adopted this 13th day of February, 2018.

CITY OF SALEM

By: _____
Its: Mayor

CERTIFICATION

Certified a true, correct and complete copy of a Supplemental Resolution duly adopted by the Council of the CITY OF SALEM on the 13th day of February, 2018.

[SEAL]

_____

City Clerk

EXHIBIT A

CONFORMED BOND ORDINANCE

[SEE TAB 1 OF BOND TRANSCRIPT]

EXHIBIT B

FORM OF CERTIFICATE OF DETERMINATIONS

City of Salem
Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified); and
Sewer Revenue Bonds, Series 2018 B (Bank Qualified)

CERTIFICATE OF DETERMINATIONS

The undersigned, James Robert Samples, Mayor of the City of Salem (the "Issuer"), in accordance with the Supplemental Parameters Resolution adopted by the Council of the Issuer on _____, 2018 (the "Supplemental Parameters Resolution"), with respect to the Issuer's Sewer Refunding Revenue Bonds, Series 2018 A and Sewer Revenue Bonds, Series 2018 B (collectively, the "Series 2018 Bonds"), hereby finds and determines this _____ day of _____, 2018 as follows:

1. The Series 2018 Bonds shall be dated the date of closing thereon (estimated to be _____ _____, 2018) and shall bear interest on _____ and _____ of each year commencing _____, 2018.

2. The Series 2018 Bonds shall be issued in the aggregate principal amount of $_____, at a true interest cost of ___%. Such interest rates do not exceed _____%, being the maximum interest rate authorized by the Supplemental Parameters Resolution.

3. The Series 2018 Bonds shall mature in the amounts and on the dates and shall be subject to mandatory sinking fund redemption in the amounts and on the dates set forth on Schedule 1 attached hereto and incorporated herein.

4. A. The Series 2018 A Bonds shall bear interest at the rates and produce the yields set forth on Schedule 1-A attached hereto and incorporated herein.

B. The Series 2018 B Bonds shall bear interest at the rates and produce the yields set forth on Schedule 1-B attached hereto and incorporated herein

5. The Series 2018 Bonds shall [not] be subject to [optional and/or mandatory] redemption [as set forth on Schedule 2 attached hereto and incorporated herein.]

6. The Series 2018 Bonds shall be sold to Crews & Associates, Inc. (the "Underwriter"), pursuant to the terms of the Bond Purchase Agreement by and between the Underwriter and the Issuer, at an aggregate purchase price of $_____ (representing par value less an Underwriter's discount of $_____ and a net original issue discount of $_____).

7. The forms of the Bond Purchase Agreement, the Tax Certificate, the Continuing Disclosure Agreement, the Registrar Agreement, the Rule 15c2-12 Certificate and Official Statement attached hereto are hereby approved.

The undersigned hereby certifies that the foregoing terms and conditions of the Series 2018 Bonds are within the parameters prescribed by the Supplemental Parameters Resolution, and the Series 2018 Bonds may be issued with such terms and conditions as authorized by the Supplemental Parameters Resolution.

WITNESS our signatures the day and year first written above.

CITY OF SALEM

By: _____
Its: Mayor

Schedule 1-A

SERIES 2018 A BOND TERMS

Mandatory Sinking Fund Redemption and Maturity

Bond No.	Maturity Date or Sinking Fund (_____1)	Principal Amount	Interest Rate	Price or Yield	CUSIP No.
AR-1	_____1	$_____	_____%	_____%	_____

Schedule 1-B

SERIES 2018 A BOND TERMS

Mandatory Sinking Fund Redemption and Maturity

Bond No.	Maturity Date or Sinking Fund (_____1)	Principal Amount	Interest Rate	Price or Yield	CUSIP No.
BR-1	_____1	$_____	_____%	_____%	_____

Schedule 2

Redemption Provisions:

Series 2018 Bonds

[to be inserted after pricing]

EXHIBIT C

CITY OF SALEM (WEST VIRGINIA)

TAX COMPLIANCE POLICIES

Purpose

Governmental issuers of tax-exempt and tax-credit bonds must comply with certain federal tax rules pertaining to expenditure of proceeds for qualified costs, rate of expenditure, use of bond financed property, investment of proceeds in compliance with arbitrage rules, and retention of records. The following policies are intended to establish compliance by the City of Salem, West Virginia (the *"Issuer"*), as the issuer, with these rules in connection with the issuance of the Issuer's Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified) and Sewer Revenue Bonds, Series 2018 B (Bank Qualified) (collectively, the "*Tax-Exempt Bonds*"). It is understood and agreed by the Issuer, and the Issuer has covenanted to take all actions necessary to maintain the Tax-Exempt Bonds as tax-exempt state and local bonds.

Tax Requirements Associated with Sale and Issuance of Bonds

Review and retention of tax documents related to the sale and issuance of Bonds will be supervised by the City Manager or his designee (the "*Oversight Officer*").

- Form 8038-G (tax exempt bonds) will be reviewed and filed not later than the 15th day of the 2nd calendar month following the quarter in which the bonds were issued. Filing of appropriate version or versions of Form 8038-G will be confirmed with bond counsel.

Expenditure of Proceeds for Governmental Costs

Expenditure of bond proceeds will be reviewed by the Oversight Officer.

- Bond proceeds will be disbursed pursuant to the Bond Ordinance, and will be a written order of an Authorized Officer, stating the date, amount and purpose of the disbursement.

- Requisitions must identify the financed property in conformity with the Tax and Non-Arbitrage Certificate executed by the Issuer at closing, including any certifications as to the character and average economic life of the bond-financed property.

- Requisitions for costs that were paid prior to the issuance of the bonds are, in general, limited to costs paid subsequent to, or not more than 60 days prior to, the date a "declaration of intent" to reimburse the costs was adopted by the City. If proceeds are used for reimbursement, a copy of the declaration will be obtained and included in the records for the Tax-Exempt Bonds, if not already part of the bond transcript.

- Requisitions will be in accordance with expectations to spend or commit 5% of net sale proceeds within 6 months, to spend 85% of net sale proceeds within 3 years, and to proceed with due diligence to complete the project and fully spend the net sale proceeds. Expected expenditure schedules, project timelines, and plans and specifications will be maintained to support expectations. Reasons for failure to meet the expected schedule will be documented and retained in the records for the Tax-Exempt Bonds.

- If the 18-month spending exception to rebate applies, expenditure of gross proceeds will be monitored against the following schedule for the arbitrage rebate exception for the issue, if applicable:

  15% within 6 months
  60% within 12 months
  100% within 18 months

- If the 2-year spending exception to rebate applies, expenditure of "available construction proceeds" will be monitored against the following schedule for the arbitrage rebate exception for construction issues if applicable:

  10% within 6 months
  45% within 12 months
  75% within 18 months
  100% within 24 months

Expenditure of Proceeds

In addition to the general review of expenditures described above, expenditure of proceeds of the Tax-Exempt Bonds will be reviewed by the Oversight Officer.

- Reserve funds cannot exceed the least of 10% of bond proceeds, maximum annual debt service, or 125% of average annual debt service. The initial funding of any reserve fund will be measured against this limit.

- Only a small portion (5%) of the proceeds of Tax-Exempt Bonds can be used for operating expenses or other "working capital" costs. Requisitions for costs of the

Project will accordingly be monitored to confirm that they are for capital costs of the Project.

- Investment earnings on sale proceeds of the Tax-Exempt Bonds will be tracked and will be requisitioned only for appropriate expenditures.

Use of Bond-Financed Property

Use of bond-financed property when completed and placed in service will be reviewed by the Oversight Officer.

- Average nonexempt use of bond-financed property over the life of the issue cannot exceed 10% of the proceeds.

- Agreements with business users or non-profit organizations for lease or management or services contracts, sponsored research, naming rights or any other potential nonexempt use of bond-financed property will be reviewed prior to execution of any contract to determine if property subject to the Bond Ordinance is bond-financed.

- Agreements with business users or other non-profit organizations for lease or management or services contracts or other private business use involving bond-financed property will be tracked and aggregated with other private business uses for compliance with the 10% limit, as set forth in the Tax and Non-Arbitrage Certificate.

- No item of bond-financed property will be sold or transferred to a nonexempt party without advance arrangement of a "remedial action" under the applicable Income Tax Regulations.

Investments and IRS Filings

Investment of bond proceeds in compliance with the arbitrage bond rules and rebate of arbitrage will be supervised by the Oversight Officer.

- Guaranteed investment contracts ("*GIC*") will be purchased only using the three-bid "safe harbor" of applicable Income Tax Regulations, in compliance with fee limitations on GIC brokers in the Income Tax Regulations.

- Other investments will be purchased only in market transactions.

- Calculations of rebate liability will be performed annually by outside consultants.

- Rebate payments will be made with Form 8038-T no later than 60 days after (a) each fifth anniversary of the date of issuance and (b) the final retirement of the issue. Compliance with rebate requirements will be reported to the bond trustee and the issuer.

- Identify date for first rebate payment at time of issuance. Enter in records for the issue.

Records

Management and retention of records related to tax-exempt bond issues will be supervised by the Oversight Officer.

- Records will be retained for the life of the bonds plus any refunding bonds plus three years. Records may be in the form of documents or electronic copies of documents, appropriately indexed to specific bond issues and compliance functions.

- Retainable records pertaining to the Tax-Exempt Bonds include transcript of documents executed in connection with the issuance of the bonds (including authorizing resolutions, Bond Ordinance, Form 8038-G, and Tax and Non-Arbitrage Certificate) and any amendments, and copies of rebate calculations and records of payments, including Forms 8038-T.

- Retainable records pertaining to expenditures of bond proceeds include requisitions, accounting statements and final allocation of proceeds.

- Retainable records pertaining to use of property include all agreements reviewed for nonexempt use and any reviewed documents relating to unrelated business activity.

- Retainable records pertaining to investments include GIC documents under the Income Tax Regulations, records of purchase and sale of other investments, and records of investment activity sufficient to permit calculation of arbitrage rebate or demonstration that no rebate is due.

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Overall Responsibility

Overall administration and coordination of this policy is the responsibility of the Oversight Officer.

CITY OF SALEM

_____

By: Mayor

EXHIBIT D

CONTINUING DISCLOSURE AGREEMENT

[SEE TAB ___ OF BOND TRANSCRIPT]

City of Salem
Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified); and
Sewer Revenue Bonds, Series 2018 B (Bank Qualified)

CERTIFICATE OF DETERMINATIONS

The undersigned, James Robert Samples, Mayor of the City of Salem (the "Issuer"), in accordance with the Supplemental Parameters Resolution adopted by the Council of the Issuer on February 13, 2018 (the "Supplemental Parameters Resolution"), with respect to the Issuer's Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified) and Sewer Revenue Bonds, Series 2018 B (Bank Qualified), (collectively, the "Series 2018 Bonds"), hereby finds and determines this 8th day of March, 2018 as follows:

1. The Series 2018 Bonds shall be dated the date of closing thereon (estimated to be March 28, 2018) and shall bear interest on June and December of each year commencing December 1, 2018.

2. The Series 2018 Bonds shall be issued in the aggregate principal amount of $3,565,000 at a true interest cost of 3.6951%. Such interest rates do not exceed 6.0%, being the maximum interest rate authorized by the Supplemental Parameters Resolution.

3. The Series 2018 Bonds shall mature in the amounts and on the dates and shall be subject to mandatory sinking fund redemption in the amounts and on the dates set forth on Schedule 1 attached hereto and incorporated herein.

4. A. The Series 2018 A Bonds shall bear interest at the rates and produce the yields set forth on Schedule 1-A attached hereto and incorporated herein.

B. The Series 2018 B Bonds shall bear interest at the rates and produce the yields set forth on Schedule 1-B attached hereto and incorporated herein

5. The Series 2018 Bonds shall be subject to optional redemption as set forth on Schedule 2 attached hereto and incorporated herein.

6. The Series 2018 Bonds shall be sold to Crews & Associates, Inc. (the "Underwriter"), pursuant to the terms of the Bond Purchase Agreement by and between the Underwriter and the Issuer, at an aggregate purchase price of $3,536,192.10 (representing par value minus an Underwriter's discount of $71,300 plus a net reoffering premium of $42,492.10).

7. The forms of the Bond Purchase Agreement, the Tax Certificate, the Continuing Disclosure Agreement, the Registrar Agreement, the Rule 15c2-12 Certificate and Official Statement attached hereto are hereby approved.

The undersigned hereby certifies that the foregoing terms and conditions of the Series 2018 Bonds are within the parameters prescribed by the Supplemental Parameters Resolution, and the Series 2018 Bonds may be issued with such terms and conditions as authorized by the Supplemental Parameters Resolution.

WITNESS MY signature the day and year first written above.

CITY OF SALEM

By: _____
Its: Mayor

Schedule 1-A

SERIES 2018 A BOND TERMS

$1,310,000
CITY OF SALEM (WEST VIRGINIA)
SEWER REFUNDING REVENUE BONDS
SERIES 2018 A (BANK QUALIFIED)

$1,310,000 4.000% Term Bonds due December 1, 2032* priced at 104.912% to yield 3.050%

*Priced to first optional redemption date of December 1, 2023

Schedule 1-B

$2,255,000
CITY OF SALEM (WEST VIRGINIA)
SEWER REVENUE BONDS
SERIES 2018 B (BANK QUALIFIED)

$305,000 3.000% Term Bonds due December 1, 2021 priced at 100.000% to yield 3.000%
$390,000 3.250% Term Bonds due December 1, 2025 priced at 99.325% to yield 3.350%
$330,000 3.500% Term Bonds due December 1, 2028 priced at 98.680% to yield 3.650%
$490,000 4.000% Term Bonds due December 1, 2032 priced at 100.000% to yield 4.000%
$740,000 4.000% Term Bonds due December 1, 2037 priced at 97.991% to yield 4.150%

Schedule 2

Optional Redemption

The Series 2018 A Bonds are subject to redemption at par or at a redemption price of 100%, at the option of the Issuer prior to maturity, on or after December 1, 2023, in whole or in part, at any time, the maturity date or dates of the Series 2018 A Bonds being redeemed to be selected by the Issuer and by random selection within maturities if less than all of any maturity, at an amount equal to the principal amount to be redeemed, plus interest, if any, accrued to the date fixed for redemption.

The Series 2018 B Bonds are subject to redemption at par or at a redemption price of 100%, at the option of the Issuer prior to maturity, on or after December 1, 2023, in whole or in part, at any time, the maturity date or dates of the Series 2018 B Bonds being redeemed to be selected by the Issuer and by random selection within maturities if less than all of any maturity, at an amount equal to the principal amount to be redeemed, plus interest, if any, accrued to the date fixed for redemption.

Mandatory Redemption

The Series 2018 A Term Bonds are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2018	60,000
2019	70,000
2020	70,000
2021	75,000
2022	75,000
2023	80,000
2024	85,000
2025	85,000
2026	90,000
2027	95,000
2028	95,000
2029	100,000
2030	105,000
2031	110,000
2032**	115,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2021 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2018	45,000
2019	85,000
2020	85,000
2021**	90,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2025 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2022	95,000
2023	95,000
2024	100,000
2025**	100,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2028 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2026	105,000
2027	110,000
2028	115,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2032 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2029	115,000
2030	120,000
2031	125,000
2032**	130,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2037 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2033	135,000
2034	140,000
2035	150,000
2036	155,000
2037**	160,000

** Final Maturity

APPENDIX G

RATE TARIFF

[The remainder of this page is intentionally blank; the Rate Tariff begins on the next page.]

$1,310,000
CITY OF SALEM (WEST VIRGINIA)
SEWER REFUNDING REVENUE BONDS,
SERIES 2018 A (BANK QUALIFIED)
AND
$2,255,000
SEWER REVENUE BONDS,
SERIES 2018 B (BANK QUALIFIED)

BOND PURCHASE AGREEMENT

March 8, 2018

City of Salem
229 West Main Street
Salem, West Virginia 26426

Ladies and Gentlemen:

Crews & Associates, Inc. (the "Underwriter"), offers to enter into this Bond Purchase Agreement (the "Purchase Agreement") with the City of Salem, a political subdivision and municipal corporation duly organized and validly existing under and pursuant to the laws of the State of West Virginia (the "Issuer"), for the purchase of the Issuer's Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified) (the "Series 2018 A Bonds") and Sewer Revenue Bonds, Series 2018 B (Bank Qualified) (the "Series 2018 B Bonds" and, together with the Series 2018 A Bonds, the "Series 2018 Bonds"). This offer is made subject to acceptance and execution of this Purchase Agreement by the Issuer prior to 6:00 p.m., local prevailing time on the date hereof (the "Sale Date"), or until withdrawn by the Underwriter upon written notice to the Issuer as permitted herein, whichever shall occur earlier. Upon such acceptance and approval, as evidenced by the signature of the Mayor of the Issuer in the space provided below, this Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon the Issuer and the Underwriter. All capitalized terms used in this Purchase Agreement and not otherwise defined herein shall have the meanings set forth in the hereinafter described Ordinance.

The Issuer acknowledges and agrees that (i) the purchase and sale of the Series 2018 Bonds pursuant to this Purchase Agreement is an arm's-length commercial transaction between the Issuer and the Underwriter, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as the agent or fiduciary of the Issuer, (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the Issuer with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Issuer on other matters), (iv) the Underwriter has no obligation to the Issuer with respect to the offering contemplated hereby except the obligations expressly set

forth in this Purchase Agreement, and (v) the Issuer has consulted its own legal, financial and other advisors to the extent it has deemed appropriate.

1. (a) The proceeds of the Series 2018 A Bonds shall be used: (i) together with other funds available for such purpose, to provide funds to currently refund the Issuer's Sewer Revenue Bonds, Series 1995 B (the "Refunded Bonds"); (ii) to fund the Series 2018 A Bonds Reserve Account in an amount equal to the Series 2018 A Bonds Reserve Requirement; and (iii) to pay Costs of Issuance (defined herein) of the Series 2018 A Bonds and related costs. The proceeds of the Series 2018 B Bonds shall be used (i) to provide funds to design, acquire, construct and equip certain additions, betterments and improvements to the Issuer's existing public sewer system (the "Project," as described in the Ordinance); (ii) to fund the Series 2018 B Bonds Reserve Account in an amount equal to the Series 2018 B Bonds Reserve Requirement; and (iii) to pay Costs of Issuance (defined herein) of the Series 2018 B Bonds and related costs.

The Issuer expects to redeem the Refunded Bonds on or about March 28, 2018.

(b) The Series 2018 Bonds shall be as described in, and shall be issued and secured under and pursuant to the provisions of, the Ordinance enacted by the City Council of the Issuer on July 25, 2017 (the "Original Ordinance"), as supplemented, amended and conformed by a Supplemental Parameters Resolution adopted by the City Council of the Issuer on February 13, 2018 (the "Supplemental Parameters Resolution"), and a Certificate of Determinations, signed by the Mayor of the Issuer, on March 8, 2018 (the "Certificate of Determinations" and, collectively with the Original Ordinance and the Supplemental Parameters Resolution, the "Ordinance"). The Series 2018 Bonds shall be secured by the Net Revenues as defined in the Ordinance derived from the sanitary sewerage collection and treatment system of the Issuer, which is managed, operated and maintained by the Salem Sanitary Board (the "Sanitary Board"), and any additions, extensions, improvements and betterments thereto, specifically including, but not limited to, the Project (collectively, the "System") and with respect to the Series 2018 A Bonds, the monies on deposit in the Series 2018 A Bonds Sinking Fund and the Series 2018 A Bonds Reserve Account therein and with respect to the Series 2018 B Bonds, the monies on deposit in the Series 2018 B Bonds Sinking Fund and the Series 2018 B Bonds Reserve Account therein. The Series 2018 A Bonds and the Series 2018 B Bonds shall be issued on parity with each other.

Upon the terms and conditions and upon the basis of the representations and warranties set forth in this Purchase Agreement, the Underwriter agrees to purchase from the Issuer, and the Issuer agrees to sell to the Underwriter, the Series 2018 A Bonds, at an aggregate purchase price of $1,348,147.20 (the par amount thereof, $1,310,000.00, minus Underwriter's discount of $26,200.00 plus a reoffering premium in the amount of $64,347.20), and the Underwriter further agrees to purchase from the Issuer, and the Issuer further agrees to sell to the Underwriter, the Series 2018 B Bonds, at an aggregate principal price of $2,188,044.90 (the par amount thereof, $2,255,000.00, minus Underwriter's discount of $45,100.00, minus original discount in the amount of $21,855.10).

(c) The Series 2018 Bonds shall mature on the dates and in the amounts, and shall bear interest from their date until maturity or until the date fixed for redemption if the Series 2018 Bonds are called for prior redemption and payment on such date provided therefor, payable

semiannually on June 1 and December 1 (each an "Interest Payment Date"), commencing December 1, 2018, as more fully described on Exhibit A attached hereto and incorporated herein by reference.

The Underwriter agrees to make a bona fide public offering of the Series 2018 Bonds at the initial offering prices as set forth in the Official Statement (as hereinafter defined) and in Exhibit A hereto, which prices, except as otherwise set forth herein, may be changed from time to time by the Underwriter.

2. Concurrently with the acceptance of this Purchase Agreement by the Issuer, the Issuer shall deliver or cause to be delivered to the Underwriter three copies of the Official Statement relating to the Series 2018 Bonds, substantially in the form of the Preliminary Official Statement, dated February 28, 2018 (the "Preliminary Official Statement"), and prior to delivery of the Series 2018 Bonds, seven copies of the Official Statement (the "Official Statement") dated the date of this Purchase Agreement, signed on behalf of the Issuer by its Mayor and on behalf of the Sanitary Board by its Chairman.

3. The Official Statement has been approved for distribution by the Ordinance. The Issuer authorizes the use of copies of the Official Statement and the Ordinance in connection with the public offering and sale of the Series 2018 Bonds.

On February 28, 2018, the Issuer delivered to the Underwriter the Preliminary Official Statement and the Underwriter received a certificate from the Issuer which deemed the Preliminary Official Statement "final" within the meaning of clause (b)(1) of Rule 15c2-12 ("Rule 15c2-12") under the Securities and Exchange Act of 1934 (17 C.F.R. § 240.15c2-12) and Rule G-32 and all other rules of the Municipal Securities Rulemaking Board. The Issuer shall deliver or cause to be delivered to the Underwriter, after the acceptance by the Issuer of this Purchase Agreement, and within the time required by Rule 15c2-12, an adequate number of copies of the Official Statement.

Unless otherwise notified in writing by the Underwriter on or prior to the date of Closing, the "End of the Underwriting Period" for the Series 2018 Bonds for all purposes of Rule 15c2-12 is the date of the Closing, as hereinafter defined. In the event such notice is given in writing by the Underwriter, the Underwriter agrees to notify the Issuer in writing following the occurrence of the End of the Underwriting Period for the Series 2018 Bonds as defined in Rule 15c2-12.

The Issuer covenants and agrees that if, after the date of this Purchase Agreement and until after the End of the Underwriting Period (as determined above), any event shall occur of which the Issuer has actual knowledge as a result of which it is necessary to amend or supplement the Official Statement to make the Official Statement not misleading in any material respect in light of the circumstances then existing, or if it is necessary to amend or supplement the Official Statement to comply with law, to notify the Underwriter (and for the purposes hereof to provide the Underwriter with such information as it may from time to time reasonably request), and to cooperate in the preparation of a reasonable number of copies of either amendments or supplements to the Official Statement (in form and substance satisfactory to the Underwriter and

its counsel) at the expense of the Issuer so that the Official Statement as so amended and supplemented will not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading in any material respect.

For the purposes of this paragraph and for only so long as required by this paragraph, the Issuer will furnish such information with respect to itself as the Underwriter from time to time reasonably requests. The Underwriter hereby agrees that it will deposit or cause to be deposited with the Municipal Securities Rulemaking Board a copy of the Official Statement at or prior to the time contemplated by Rule 15c2-12.

The Underwriter acknowledges and agrees that any liability of the Issuer that may arise from its representations and agreements made in this paragraph 3 shall be limited to the proceeds of the Series 2018 Bonds (provided that the foregoing shall not be deemed to prevent the Underwriter or the Issuer from seeking to enforce such agreements).

4. At 10:00 a.m. prevailing time, on March 28, 2018, or such other date as shall be agreed upon by the parties to this Purchase Agreement (the "Closing"), the Issuer will deliver or cause to be delivered to the Underwriter, (a) the Series 2018 Bonds in the form of one certificate for each maturity fully registered in the name of CEDE & CO., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"), duly executed by the Issuer and authenticated by the Registrar, and (b) at such other place as the parties to this Agreement mutually agreed upon, will deliver to the Underwriter the other documents required in this Purchase Agreement and by the Ordinance. Upon such delivery of the Series 2018 Bonds, the Underwriter will accept such delivery and pay the purchase price therefor, plus any accrued interest thereon, in immediately available funds to the order of the Depository Bank, for the account of the Issuer. Such delivery shall be made at DTC, with the payment and other requisite actions to be taken at the place designated by the parties to this Purchase Agreement. The Series 2018 Bonds shall be made available to the Underwriter at DTC at least forty-eight (48) hours before the Closing for the purpose of inspection and packaging; provided, that if DTC Fast delivery is used, then the Series 2018 Bonds shall be made available to the Registrar by 1:00 p.m. on March 27, 2018. If the Issuer does not have a Blanket DTC Letter of Representation (the "DTC Letter of Representations"), the Issuer agrees to provide one to DTC.

5. (A) The Issuer represents and warrants to the Underwriter and agrees that:

(a) The Issuer is a political subdivision and municipal corporation duly organized and validly existing under and pursuant to the laws of the State of West Virginia. The Issuer is duly authorized to operate and maintain the System and establish rates for the System. The Series 2018 Bonds are being issued pursuant to the Constitution and laws of the State of West Virginia (the "State"), specifically, Chapter 16, Article 13 of the Code of West Virginia, 1931, as amended (the "Act");

(b) The Issuer shall have complied and will comply at the Closing in all respects with all applicable statutes and laws, including the Act;

(c) The Issuer has full legal right, power and authority to issue bonds for the purposes provided in the Ordinance and to enter into this Purchase Agreement, to enact the Ordinance and to issue, sell and deliver the Series 2018 Bonds to the Underwriter as provided herein and to carry out and consummate all other transactions contemplated by each of the aforesaid documents;

(d) The information contained in the Preliminary Official Statement dated February 28, 2018, and in the Official Statement is and, as of the Closing Date (as hereinafter defined), will be, to the best knowledge of the Issuer, true and to the best knowledge of the Issuer does not contain and will not contain any untrue statement of a material fact and does not omit and will not omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

(e) At the time of the Issuer's acceptance hereof and (unless an event occurs of the nature described in this paragraph 5, subparagraph (i) hereof) at all times during the period from the date of this Purchase Agreement to and including the date which is twenty-five (25) days following the End of the Underwriting Period for the Series 2018 Bonds (as determined in accordance with paragraph 5(A), subparagraph (i) hereof), to the best knowledge of the Issuer, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(f) If the Official Statement is supplemented or amended, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to this subparagraph) at all times during the period from the date of this Purchase Agreement to and including the date which is twenty-five (25) days following the End of the Underwriting Period for the Series 2018 Bonds (as determined in accordance with paragraph 5(A), subparagraph (i) hereof), the Official Statement as so supplemented or amended, to the best knowledge of the Issuer, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(g) If during the period from the date of this Purchase Agreement to and including the date which is twenty-five (25) days following the End of the Underwriting Period for the Series 2018 Bonds (as determined in accordance with paragraph 5(A), subparagraph (i) hereof) any event shall occur which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Issuer shall notify the Underwriter of any such event of which it has knowledge and, if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Issuer will prepare and furnish to the Underwriter (i) a reasonable number of copies of the supplement or amendment to the Official Statement in form and substance approved by the Issuer and acceptable to the Underwriter, and (ii) if such notification shall be subsequent to the Closing, such legal opinions, certifications, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement;

(h) Prior to the Issuer's acceptance hereof, the Issuer delivered to the Underwriter copies of the Preliminary Official Statement which the Issuer deemed final (for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934) as of the date thereof; provided, however, that in making the representation and warranty contained in this paragraph (h) the Issuer shall not be deemed to have made any additional representation or warranty as to the Preliminary Official Statement other than the representation and warranty contained in paragraph (e);

(i) For purposes of this Purchase Agreement, the End of the Underwriting Period for the Series 2018 Bonds shall mean the earlier of (1) the day of the Closing unless the Issuer has been notified in writing by the Underwriter, on or prior to the day of the Closing, that the End of the Underwriting Period for the Series 2018 Bonds for all purposes of Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934 (the "Rule") will not occur on the day of the Closing, or (2) the date on which notice is given to the Issuer by the Underwriter in accordance with the following sentence. In the event that the Underwriter has given notice to the Issuer pursuant to clause (1) above that the End of the Underwriting Period for the Series 2018 Bonds will not occur on the day of the Closing, the Underwriter agrees to notify the Issuer in writing as soon as practicable following the "End of the Underwriting Period" for the Series 2018 Bonds for all purposes of the Rule;

(j) At or prior to the Closing, the Issuer shall have duly authorized, executed and delivered a written continuing disclosure undertaking (an "Undertaking") which complies with the provisions of Rule 15c2-12(b)(5) and which shall be substantially in the form described in the Preliminary Official Statement;

(k) The Issuer has duly authorized all necessary action to be taken by it for: (1) the issuance and sale of the Series 2018 Bonds upon the terms set forth herein, in the Ordinance and in the Official Statement; (2) the refunding of the Refunded Bonds, the design, acquisition, construction and equipping of the Project, and the execution and delivery of the Ordinance and the Undertaking; (3) the approval of the Official Statement and the execution, distribution and delivery of the Official Statement by the Mayor of the Issuer and Chairman of the Sanitary Board; (4) the execution, delivery, receipt and due performance of this Purchase Agreement, the Series 2018 Bonds, the Undertaking, the Ordinance and any and all such other agreements and documents as may be required to be executed, delivered and received by the Issuer in order to carry out, give effect to and consummate the transactions contemplated hereby and by the Official Statement; and (5) the carrying out, giving effect to and consummation of the transactions contemplated hereby and by the Ordinance and the Official Statement;

(l) When delivered to and paid for by the Underwriter in accordance with the terms of this Purchase Agreement, the Series 2018 Bonds will have been duly authorized, executed, authenticated, issued and delivered and will constitute valid and binding obligations of the Issuer payable solely from the Net Revenues of the System and moneys pledged therefor under the Ordinance and will be entitled to the benefit of the Ordinance. Neither the credit nor the taxing power of the Issuer, if any, shall be deemed to be pledged to, nor shall a tax ever be levied for the payment of the principal of, premium, if any, or the interest on the Series 2018 Bonds;

(m) There is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending or, to the best knowledge of the Issuer, threatened against or affecting the Issuer (or, to the best knowledge of the Issuer, any basis therefor) wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated hereby or by the Official Statement or the validity of the Series 2018 Bonds, the Ordinance, the Undertaking, this Purchase Agreement or any agreement or instrument to which the Issuer is a party and which is used or contemplated hereby or by the Official Statement (collectively, the "Legal Documents") or the validity of the Series 2018 Bonds, the Ordinance, this Purchase Agreement or any agreement or instrument to which the Issuer is a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby or by the Official Statement;

(n) The execution and delivery of the Official Statement, this Purchase Agreement, the Series 2018 Bonds, the Undertaking, the Ordinance and the other agreements contemplated hereby and by the Official Statement, and compliance with the provisions thereof, to the best knowledge of the Issuer, will not conflict with or constitute on the Issuer's part a breach of or a default under any existing law, court or administrative regulation, decree or order or any agreement, indenture, mortgage, lease or other instrument to which the Issuer is subject or by which the Issuer is or may be bound, and to the knowledge of the representatives of the Issuer all consents, approvals, authorizations and orders of governmental or regulatory authorities which are required for the consummation of the transactions contemplated thereby have been obtained;

(o) The Issuer has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the Issuer is a bond issuer whose arbitrage certifications may not be relied upon;

(p) All financial statements of the Issuer included as a part of the Preliminary Official Statement and the Official Statement (collectively, the "Financial Statements"), fairly present the financial condition of the System as of the respective dates and the results of its operations for the respective periods therein set forth and have been prepared when so indicated in accordance with generally accepted accounting principles consistently applied and since the respective most recent dates as of which information is given in the Preliminary Official Statement or the Official Statement, there has not been any material change in the long-term debt secured by the System or any material adverse change in the general affairs, management, financial position, or results of operations of the System and no material transactions or obligations other than in the ordinary course of business have been entered into with respect to the System by the Issuer, except as reflected in or contemplated by the Official Statement; and

(q) Any certificate signed by the Mayor of the Issuer or any of the Issuer's authorized officers and delivered to the Underwriter shall be deemed a representation and warranty by the Issuer to the Underwriter as to the statements made therein. It is understood that the representations, warranties and covenants by the Issuer contained in this Section 5 and elsewhere in this Purchase Agreement shall not create any general obligation or liability of the Issuer, and that any obligation or liability of the Issuer hereunder or under the Ordinance will be payable solely out of the Net Revenues of, and other income, charges and moneys derived by the Issuer from, or

in connection with, the System, nor shall any member, official or employee of the Issuer be personally liable therefor.

B. The Sanitary Board represents to, and agrees and covenants with, the Underwriter that:

(a) The information relating to the System and the Sanitary Board included in the financial statements of the Issuer as of June 30, 2017 and June 30, 2016 fairly represent the receipts, expenditures, assets, liabilities and cash balances of the accounts relating to the System and the Sanitary Board and, insofar as presented, other funds of the System as of the dates and for the periods therein set forth. Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriter, there has not been any materially adverse change in the financial condition of the System or in its operations since June 30, 2017 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(b) Any certificates executed by any officer of the Sanitary Board and delivered to the Underwriter pursuant hereto or in connection herewith shall be deemed a representation and warranty of the Sanitary Board as to the accuracy of the statements therein made.

All representations, warranties and agreements of the Issuer and the Sanitary Board shall remain operative and in full force and effect, regardless of any investigations made by any Underwriter or on the Underwriter's behalf, and shall survive the delivery of the Series 2018 Bonds.

6. The Underwriter has entered into this Purchase Agreement in reliance upon the representations and agreements of the Issuer and Sanitary Board made herein. The Underwriter's obligations under this Purchase Agreement are and shall be subject to the following further conditions:

(a) At or prior to the time of the Closing, the Ordinance and the Undertaking, as approved by the Underwriter or its counsel, shall have been approved by the appropriate parties, shall have been duly executed, acknowledged, sealed and delivered, shall be in full force and effect and shall not have been amended, modified or supplemented, except as therein permitted or as may have been agreed to in writing by the Underwriter;

(b) The Underwriter shall have the right to cancel its obligations hereunder to purchase the Series 2018 Bonds (such cancellation shall not constitute a default hereunder) by notifying the Issuer in writing of its election to do so between the date hereof and the Closing Date, if at any time hereafter and prior to the Closing Date:

(i) Any legislation shall be introduced in, enacted by, reported out of committee, or recommended for passage by the State of West Virginia or either House of the Congress, or recommended to the Congress or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member

of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or legislation is proposed for consideration by either such committee by any member thereof or presented as an option for consideration by either such committee by the staff of such committee or by the staff of the Joint Committee on Taxation of the Congress of the United States, or a bill to amend the Internal Revenue Code of 1986, as amended (the "Code") (which, if enacted, would be effective as of a date prior to the Closing) shall be filed in either House, or a decision by a court of competent jurisdiction shall be rendered, or a regulation or filing shall be issued or proposed by or on behalf of the Department of the Treasury or the Internal Revenue Service of the United States, or other agency of the federal government, or a release or official statement shall be issued by the President, the Department of the Treasury or the Internal Revenue Service of the United States, in any such case with respect to or affecting (directly or indirectly) the federal or state taxation of interest received on obligations of the general character of the Series 2018 Bonds which, in the reasonable judgment of the Underwriter, materially adversely affects the market price or marketability of the Series 2018 Bonds or the sale, at the contemplated offering prices (or yields), by the Underwriter of the Series 2018 Bonds; or

(ii) Any decision by any court of competent jurisdiction within the State of West Virginia shall have been rendered which, in the Underwriter's reasonable opinion, materially adversely affects the market price of the Series 2018 Bonds; or

(iii) A stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other government agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Series 2018 Bonds, or the issuance, offering or sale of the Series 2018 Bonds, including all the underlying obligations, as contemplated hereby or by the Official Statement, is in violation of any provisions of the Securities Act of 1933, as amended and as then in effect, or the registration provisions of the Securities and Exchange Act of 1934, as amended and as then in effect, or the qualification provisions of the Trust Indenture Act of 1939, as amended and as then in effect; or

(iv) Legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Series 2018 Bonds, including any or all underlying arrangements, are not exempt from registration under, or other requirements of, the Securities Act or that the Indenture is not exempt from qualification under, or other requirements of, the Trust Indenture Act of 1939, as amended, or that the issuance, offering, or sale of obligations of the general character of the Series 2018 Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect; or

(v) There shall have occurred any outbreak or escalation of hostilities, declaration by the United States of a national or international emergency or war or other calamity or crisis, including, without limitation, a downgrade of the sovereign debt rating of the United

States by any major credit rating agency or payment default on United States Treasury obligations, and a default with respect to the debt obligations of, or the institution of proceedings under any federal bankruptcy laws by or against any state of the United States or any city, county or other political subdivision located in the United States having a population of over 1,000,000, the effect of which on financial markets is such as to, in the reasonable judgment of the Underwriter, materially adversely affect the market price or marketability of the Series 2018 Bonds or the sale, at the contemplated offering prices (or yields), by the Underwriter of the Series 2018 Bonds; or

(vi) There shall have occurred a general suspension of trading, minimum or maximum prices for trading shall have been fixed and be in force or maximum ranges or prices for securities shall have been required on the New York Stock Exchange or other national stock exchange whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commissioner or any other governmental agency having jurisdiction or any national securities exchange shall have: (i) imposed additional material restrictions not in force as of the date hereof with respect to trading in securities generally, the Series 2018 Bonds or similar obligations; or (ii) materially increased restrictions now in force with respect to the extension of credit by or the charge to the net capital requirements of Underwriter or broker-dealers such as to, in the judgment of the Underwriter, materially adversely affect the market price or marketability of the Series 2018 Bonds or the sale, at the contemplated offering prices (or yields), by the Underwriter of the Series 2018 Bonds; or

(vii) An event shall occur which makes untrue or incorrect in any material respect, as of the time of such event, any statement or information contained in the Official Statement or which is not reflected in the Official Statement but should be reflected therein in order to make the statements contained therein not misleading in any material respect and, in either such event, (a) the Issuer refuses to permit the Official Statement to be supplemented to supply such statement or information, or (b) the effect of the Official Statement as so supplemented is, in the judgment of the Underwriter, to materially adversely affect the market price or marketability of the Series 2018 Bonds or the sale, at the contemplated offering prices (or yields), by the Underwriter of the Series 2018 Bonds; or;

(viii) A general banking moratorium shall have been declared by federal or New York or West Virginia state authorities or a major financial crisis or a material disruption in commercial banking or securities settlement or clearance services shall have occurred such as to, in the judgment of the Underwriter, materially adversely affect the market price or marketability of the Series 2018 Bonds or the sale, at the contemplated offering prices (or yields), by the Underwriter of the Series 2018 Bonds; or

(ix) There shall have been any materially adverse change in the affairs of the Issuer or the Sanitary Board; and

(c) At or prior to the Closing, the Underwriter and the Issuer shall receive the following documents, in each case in form and substance satisfactory to the Underwriter and its counsel:

(i) The opinions, dated the date of the Closing and addressed to the Issuer and the Underwriter, of Steptoe & Johnson PLLC, Bond Counsel, in substantially the forms attached as Appendix E to the Official Statement;

(ii) A supplemental bond counsel opinion, dated the date of the Closing and addressed to the Underwriter, of Steptoe & Johnson PLLC, Bond Counsel, to the effect that (1) this Purchase Agreement has been duly authorized, executed and delivered by, and (assuming due authorization, execution and delivery by the Underwriter and that it is a binding agreement of the Underwriter in accordance with its terms) constitutes a binding agreement in accordance with its terms of, the Issuer and the Sanitary Board; (2) the Series 2018 Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Ordinance is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; (3) the statements contained in the Official Statement under the caption "Tax Matters" are true and accurate in all material respects and present a fair and accurate summary and description of the matters summarized and described under such caption; and (4) nothing has come to their attention which would lead them to believe that the statements contained in the Official Statement under the captions "Purposes and Plan of Financing," "The Series 2018 Bonds," "Security for the Series 2018 Bonds" (except for the statements referred to therein under "Appendix D - Book-Entry Only System" with respect to The Depository Trust Company), "Litigation," "Appendix E – Proposed Forms of Bond Counsel Opinions," and "Appendix F – Form of Ordinance and Supplemental Parameters Resolution" insofar as such statements contained under such captions purport to summarize certain matters set forth therein and certain provisions of the Ordinance, do not present fairly in all material respects the matters referred to therein;

(iii) An opinion, dated the date of Closing and addressed to the Underwriter, of Harrold & Kramer, PLLC doing business as Mountain State Law, counsel to the Issuer, to the effect that (1) the Issuer has been duly organized and is validly existing under the Constitution and laws of the State of West Virginia, and has all requisite power and authority thereunder: (a) to enact the Ordinance, and to enter into, execute, deliver and perform its covenants and agreements under the Legal Documents; (b) to approve and authorize the use, execution and distribution of the Preliminary Official Statement and the Official Statement; (c) to issue, sell, execute and deliver the Series 2018 Bonds; (d) to pledge the Net Revenues as contemplated by the Legal Documents; and (e) to carry on its activities as currently conducted; (2) the Issuer has taken all actions required to be taken by it before the Closing Date material to the transactions contemplated by the documents mentioned in paragraph (a) above, and the Issuer has duly authorized the execution and delivery of, and the due performance of its obligations under, the Legal Documents; (3) the Original Ordinance and Supplemental Parameters Resolution were duly enacted and adopted by the City Council of the Issuer at meetings of the City Council of the Issuer which were called and held pursuant to law and with all required notices and in accordance with all applicable open meetings laws and at which a quorum was present and acting at the time of the enactment and adoption of the Original Ordinance and Supplemental Parameters Resolution; (4) the enactment and adoption of the Ordinance, the execution and delivery by the Issuer of the Legal Documents and the compliance with the provisions of the Legal Documents do not and will not conflict with or violate in any material respect any West Virginia constitutional, statutory or regulatory provision or, to the best of such counsel's knowledge after due inquiry, conflict with or constitute on the part of the Issuer a material breach of or default under any agreement or

instrument to which the Issuer is a party or by which it is bound; (5) the Legal Documents constitute legal, valid and binding obligations of the Issuer and are enforceable according to the terms thereof, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors' rights generally, and by the application of equitable principles if equitable remedies are sought, by the exercise of judicial discretion and the limitations on legal remedies against public entities in the State; (6) no litigation is pending or, to the best of such counsel's knowledge after due inquiry, threatened against the Issuer in any court in any way affecting the titles of the officials of the Issuer to their respective positions, or seeking to restrain or to enjoin the issuance, sale or delivery of the Series 2018 Bonds, or the collection of revenues pledged or to be pledged to pay the principal of and interest on the Series 2018 Bonds, or in any way contesting or affecting the validity or enforceability of the Ordinance or the other Legal Documents, or contesting in any way the completeness or accuracy of the Official Statement, or contesting the powers of the Issuer or its authority with respect to the Ordinance or the other Legal Documents; (7) the information contained in the Official Statement under the captions "The Issuer," "Litigation," "Continuing Disclosure" and "Appendix A – City of Salem, West Virginia and Harrison County, West Virginia Economic and Demographic Data - Government" does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (8) no authorization, approval, consent or other order of the State or any local agency of the State, other than such authorizations, approvals and consents which have been obtained, is required for the design, acquisition, construction and equipping of the Project and, to the best of such counsel's knowledge after due inquiry, no authorization, approval, consent or other order of the State or any local agency of the State, other than such authorizations, approvals and consents which have been obtained, is required for the valid authorization, execution and delivery by the Issuer of the Legal Documents and the authorization and distribution of the Preliminary Official Statement and the Official Statement (provided that no opinion need be expressed as to any action required under state securities or Blue Sky laws in connection with the purchase of the Bonds by the Underwriter); and (9) to the best of such counsel's knowledge after due inquiry, the Issuer is not in breach of or default under any applicable law or administrative regulation of the State of West Virginia or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or is otherwise subject, which breach or default would materially adversely affect the Issuer's ability to enter into or perform its obligations under the Legal Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument and which would materially adversely affect the Issuer's ability to enter into or perform its obligations under the Legal Documents;

(iv) The opinion of Harrold & Kramer, PLLC doing business as Mountain State Law, counsel to the Sanitary Board, dated the date of Closing and addressed to the Underwriter, to the effect: (1) no litigation is pending, or to the best of such counsel's knowledge, threatened in any court in any way affecting the existence of the Sanitary Board or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the issuance or delivery of the Series 2018 Bonds, or the collection of revenues and assets of the System pledged or to be pledged to pay the principal of and interest on the Series 2018 Bonds, or the pledge thereof, or the refunding of the Refunded Bonds or the design, acquisition, construction and equipping of the Project, or any transaction described in or contemplated by the Official Statement; (2) that the Official

Statement, as amended or supplemented to the date of Closing (except as aforesaid) contains no untrue statement regarding the Sanitary Board and/or the System of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein regarding the Sanitary Board and/or the System, in light of the circumstances under which they were made, not misleading; (3) the statements contained in the Official Statement under the captions "Purposes and Plan Of Financing," "The Issuer," "The System and the Sanitary Board," "Litigation," "Legal Matters," "Continuing Disclosure," "Appendix B – The System and the Sanitary Board" and "Appendix G – Rate Tariff," insofar as such statements contained under such captions relate to the Sanitary Board and/or the System, or purport to summarize certain matters set forth therein, are accurate and present a fair summary of the matters referred to therein, it being understood, that in rendering such opinion they express no opinion with respect to statistical data, financial statements, operating statistics and other financial data in the Official Statement; and (4) any requirement as to legal matters as the Underwriter shall reasonably require;

(v) An opinion, dated the date of the Closing and addressed to the Issuer and to the Underwriter, of Steptoe & Johnson PLLC, Bond Counsel, that the Refunded Bonds have been legally paid and defeased;

(vi) Two counterpart originals of a transcript of all proceedings relating to the authorization and issuance of the Series 2018 Bonds;

(vii) An opinion, dated the date of the Closing and addressed to the Underwriter, of Bowles Rice LLP, Underwriter's Counsel, to the effect that (i) the Undertaking in all material respects satisfies Section (b)(5)(i) of Rule 15c2-12; and (ii) that, without having undertaken to determine independently the accuracy or completeness of the statements contained in the Preliminary Official Statement or the Official Statement, but solely on the basis of their conferences with representatives of the Issuer, Counsel to the Underwriter, and the Underwriter, and their examination of certain documents referred to in the Preliminary Official Statement and the Official Statement, nothing has come to their attention that the Preliminary Official Statement, as of its date, and the Official Statement, as of its date and the date of Closing, contained or contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (other than the financial statements and all other financial, statistical and operational information contained therein or in its appendices, as to which no opinion shall be expressed);

(viii) A certificate, satisfactory to the Underwriter, of the Mayor of the Issuer or any other duly authorized officer of the Issuer, as appropriate, satisfactory to the Underwriter, dated as of the Closing, to the effect that: (1) the Issuer has duly performed all of the obligations to be performed at or prior to the Closing and that each of the representations and warranties contained herein are true as of Closing, (2) the Issuer has authorized, by all necessary action, the execution, delivery, receipt and due performance of the Series 2018 Bonds, the Undertaking, the Ordinance and any and all such other agreements and documents as may be required to be executed, delivered and received by the Issuer in order to carry out, give effect to and consummate the transactions contemplated hereby and by the Official Statement, (3) to the knowledge of such signatory no litigation is pending, or to such signatories knowledge threatened,

to restrain or enjoin the collection of the Gross Revenues, the pledge of the Net Revenues to the Series 2018 Bonds, the issuance or sale of the Series 2018 Bonds or in any way affecting any authority for or the validity of the Series 2018 Bonds or the Ordinance, (4) to the best knowledge of such signatory following appropriate inquiry, the execution, delivery, receipt and due performance of the Series 2018 Bonds, the Undertaking, the Ordinance and the other agreements contemplated hereby and by the Official Statement under the circumstances contemplated thereby and the Issuer's compliance with the provisions thereof will not conflict with or constitute on the Issuer's part a breach of or a default under any existing law, court or administrative regulation, decree or order or any agreement, indenture, mortgage, lease or other instrument to which the Issuer is subject or by which the Issuer is or may be bound and (5) such signatory is aware of no material non-compliance with the covenants in all outstanding Ordinances which authorized bonds secured by the Net Revenues of the System, if any;

(ix) Copies of this Purchase Agreement executed by the parties hereto;

(x) Duly authorized and executed copies of the Undertaking, in substantially the form attached as Appendix H to the Official Statement and incorporated herein, which complies with the provisions of Rule 15c2-12(b)(5) in form and substance satisfactory to the Underwriter and evidence that the Issuer has adopted post issuance continuing disclosure procedures;

(xi) A certificate of the Issuer executed by authorized officers thereof, dated the Closing Date and in form and substance satisfactory to the Underwriter and counsel to the Underwriter, to the effect that the Issuer is obligated by such Undertaking and except as provided in the Official Statement is in full compliance with all of the Issuer's prior written continuing disclosure undertakings, if any, entered into pursuant to the provisions of Rule 15c2-12(b)(5);

(xii) A certificate from an independent certified public accountant, stating that the Issuer has Net Revenues sufficient to meet the coverage requirements of the Ordinance;

(xiii) A Certificate of the Registrar to the effect that all conditions precedent contained in the Ordinance for the issuance of the Series 2018 Bonds have been met, and the Series 2018 Bonds are entitled to the benefit and security of the Ordinance;

(xiv) The Ordinance, certified by the City Clerk of the Issuer under the seal of the Issuer, as having been duly enacted by the Issuer and as being in full force and effect, with only such amendments, modifications or supplements as may have been agreed to by the Underwriter;

(xv) With respect to the Series 2018 Bonds, an Information Return for Tax-Exempt Bond Issues (Internal Revenue Service Form 8038-G), in the form satisfactory to Bond Counsel for filing, executed by the duly authorized officer of the Issuer and evidence that the Issuer has adopted post issuance compliance guidelines sufficient to allow the Issuer to check boxes 43 and 44 on Form 8038-G;

(xvi) A tax and arbitrage certificate of the Issuer;

(xvii) A copy of the Issuer's executed Blanket Letter of Representations to The Depository Trust Company;

(xviii) Evidence that the Issuer has received bids or certified engineering estimates with respect to the Project; and

(xix) Such additional legal opinions, certificates, instruments and other documents as the Underwriter or its counsel, Bowles Rice LLP, reasonably may deem necessary or advisable to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the Issuer's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Issuer on or prior to the date of the Closing of all agreements then to be performed and all conditions then to be satisfied by the Issuer.

All of the opinions, letters, instruments and other documents mentioned above or elsewhere in this Purchase Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriter and to Bowles Rice LLP, counsel to the Underwriter.

If the Issuer shall be unable to satisfy or cause to be satisfied the conditions to the Underwriter's obligations in this Purchase Agreement or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and the Underwriter and the Issuer shall not have any further obligations, claims or rights hereunder. However, the Underwriter may in its discretion waive in writing one or more conditions imposed by this Purchase Agreement for the protection of the Underwriter and proceed with the Closing.

7. The Underwriter shall be under no obligation to pay and, if the Series 2018 Bonds are issued, the Issuer shall pay or cause to be paid from the proceeds of the Series 2018 Bonds or other funds of the Issuer, any fees and expenses incident to the performance of the Issuer's obligations hereunder including (i) all expenses in connection with the printing and distribution of the Preliminary Official Statement, the Official Statement and any amendment or supplement to either; (ii) all expenses in connection with the preparation, printing, issuance and delivery of the Series 2018 Bonds, specifically including but not limited to any The Depository Trust Company, CUSIP and day loan fees; (iii) the fees and disbursements of Steptoe & Johnson PLLC, Bond Counsel; (iv) the fees and disbursements of Harrold & Kramer, PLLC doing business as Mountain State Law, Counsel to the Issuer and Sanitary Board; (v) the fees and disbursements of the Registrar including legal fees of legal counsel, if any; (vi) the fees and expenses of Counsel to the Underwriter; (vii) the fees and expenses of the Issuer's independent certified public accountant; (viii) the Underwriter's discount; (ix) fees and expenses related to the Undertaking; and (x) all other expenses and costs (including the legal fees and expenses of the Issuer) for the authorization, issuance, sale and distribution of the 2018 Bonds.

8. The Underwriter shall pay from the underwriting spread all expenses incurred by it in connection with its public offering and distribution of the Series 2018 Bonds, including all out-of-pocket expenses, travel and other expenses and filing fees.

9. For so long as the Underwriter, or other dealers or banks, if any, participating in the distribution of the Series 2018 Bonds, is offering the Series 2018 Bonds which constitute the whole or a part of its unsold participations, the Issuer will: (a) not adopt any amendment of or supplement to the Official Statement to which, after having been furnished with a copy, the Underwriter shall object in writing or which shall be disapproved by Counsel for the Underwriter, unless, in the opinion of the Counsel to the Issuer, such amendment or supplement is required to make the Official Statement not misleading, and (b) if any event relating to or affecting the Issuer shall occur as a result of which it is necessary, in the opinion of Bond Counsel or Counsel for the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, forthwith prepare and furnish to the Underwriter a reasonable number of copies of an amendment or a supplement to the Official Statement (in form and substance satisfactory to the Counsel for the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading. The expense of preparing such amendment or supplement shall be borne by the Issuer. For the purposes of this paragraph, the Issuer will furnish such information with respect to themselves as the Underwriter from time to time may request.

10. Neither the officials of the Issuer nor its employees shall be personally liable for breach of any representation, agreement or warranty made by the Issuer within this Purchase Agreement.

11. Any notice or other communication to be given under this Purchase Agreement may be given by delivering the same in writing as follows:

To the Issuer:

City of Salem
229 West Main Street
Salem, West Virginia 26426
Attention: Mayor

To the Underwriter:

Crews & Associates, Inc.
69 Clay Street, Suite 202
Morgantown, West Virginia 26501

12. (a) The Underwriter agrees to assist the Issuer in establishing the issue price of the Series 2018 Bonds and shall execute and deliver to the Issuer at Closing an "issue price" or similar certificate substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Issuer and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Series 2018 Bonds.

(b) The Issuer will treat the first price at which 10% of each maturity of the Series 2018 Bonds (the "10% test") is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test).

(c) With respect to the maturities of the Series 2018 Bonds for which the 10% test has not been satisfied, set forth on Schedule A of the attached Exhibit B, if any, the Underwriter agrees that the Underwriter will neither offer nor sell unsold Series 2018 Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the Sale Date and ending on the earlier of the following:

(i) the close of the fifth (5th) business day after the Sale Date; or

(ii) the date on which the Underwriter has sold at least 10% of that maturity of the Series 2018 Bonds to the public at a price that is no higher than the initial offering price to the public (the "Hold-the-Offering-Price Rule").

The Underwriter shall promptly advise the Issuer or the Issuer's municipal advisor, if any, when the Underwriter has sold 10% of that maturity of the Series 2018 Bonds to the public at a price that is no higher than the initial offering price to the public if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

13. This Purchase Agreement is made solely for the benefit of the Issuer and the Underwriter (including the successors or assigns of the Underwriter) and no other person, partnership, association or corporation shall acquire or have any right hereunder or by virtue hereof. All agreements of the Issuer in this Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Series 2018 Bonds.

14. This Purchase Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

15. The approval of the Underwriter when required hereunder or the determination of its satisfaction with any document referred to herein shall be in writing signed by the Underwriter and delivered to the Issuer. This Purchase Agreement shall become legally effective upon its acceptance by the Issuer and the Sanitary Board, as evidenced by the signatures of the Mayor of the Issuer and the Chairman of the Sanitary Board in the spaces provided hereinafter therefor.

Crews & Associates, Inc.

By: _____
Its: Director

ACCEPTED AND APPROVED:

March 8, 2018 at 9:48 a.m.

City of Salem

By: _____
Its: Mayor

Salem Sanitary Board

By: _____
Its: Chairman

EXHIBIT A

$1,310,000
CITY OF SALEM (WEST VIRGINIA)
SEWER REFUNDING REVENUE BONDS
SERIES 2018 A (BANK QUALIFIED)

$1,310,000 4.000% Term Bonds due December 1, 2032* priced at 104.912% to yield 3.050%

*Priced to first optional redemption date of December 1, 2023

$2,255,000
CITY OF SALEM (WEST VIRGINIA)
SEWER REFUNDING REVENUE BONDS
SERIES 2018 B (BANK QUALIFIED)

$305,000 3.000% Term Bonds due December 1, 2021 priced at 100.000% to yield 3.000%
$390,000 3.250% Term Bonds due December 1, 2025 priced at 99.325% to yield 3.350%
$330,000 3.500% Term Bonds due December 1, 2028 priced at 98.680% to yield 3.650%
$490,000 4.000% Term Bonds due December 1, 2032 priced at 100.000% to yield 4.000%
$740,000 4.000% Term Bonds due December 1, 2037 priced at 97.991% to yield 4.150%

Optional Redemption

The Series 2018 A Bonds are subject to redemption at par or at a redemption price of 100%, at the option of the Issuer prior to maturity, on or after December 1, 2023, in whole or in part, at any time, the maturity date or dates of the Series 2018 A Bonds being redeemed to be selected by the Issuer and by random selection within maturities if less than all of any maturity, at an amount equal to the principal amount to be redeemed, plus interest, if any, accrued to the date fixed for redemption.

The Series 2018 B Bonds are subject to redemption at par or at a redemption price of 100%, at the option of the Issuer prior to maturity, on or after December 1, 2023, in whole or in part, at any time, the maturity date or dates of the Series 2018 B Bonds being redeemed to be selected by the Issuer and by random selection within maturities if less than all of any maturity, at an amount equal to the principal amount to be redeemed, plus interest, if any, accrued to the date fixed for redemption.

Mandatory Redemption

The Series 2018 A Term Bonds are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2018	60,000
2019	70,000
2020	70,000
2021	75,000
2022	75,000
2023	80,000
2024	85,000
2025	85,000
2026	90,000
2027	95,000
2028	95,000
2029	100,000
2030	105,000
2031	110,000
2032**	115,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2021 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2018	45,000
2019	85,000
2020	85,000
2021**	90,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2025 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2022	95,000
2023	95,000
2024	100,000
2025**	100,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2028 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2026	105,000
2027	110,000
2028	115,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2032 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2029	115,000
2030	120,000
2031	125,000
2032**	130,000

** Final Maturity

The Series 2018 B Term Bonds due December 1, 2037 are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 of the following years in the following amounts:

Year	Principal Amount
2033	135,000
2034	140,000
2035	150,000
2036	155,000
2037**	160,000

** Final Maturity

EXHIBIT B

FORM OF ISSUE PRICE CERTIFICATE

CITY OF SALEM (WEST VIRGINIA)
SEWER REFUNDING REVENUE BONDS
SERIES 2018 A (BANK QUALIFIED)
AND
CITY OF SALEM (WEST VIRGINIA)
SEWER REVENUE BONDS
SERIES 2018 B (BANK QUALIFIED)

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of CREWS & ASSOCIATES INC. (the "Underwriter"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Series 2018 Bonds").

1. **Sale of the General Rule Maturities.** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity of the Series 2018 Bonds was sold to the Public is the respective price listed in Schedule A.

2. **Initial Offering Price of the Hold-the-Offering-Price Maturities.**

(a) Select Maturities Use Hold-the-Offering-Price Rule: The Underwriter has offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Series 2018 Bonds is attached to this certificate as Schedule B.

(b) Select Maturities Use Hold-the-Offering-Price Rule: As set forth in the Bond Purchase Agreement the Underwriter has agreed in writing that for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the unsold Series 2018 Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "Hold-the-Offering-Price Rule"). Pursuant to such agreement, no Underwriter has offered or sold any unsold Series 2018 Bonds of any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Series 2018 Bonds during the Holding Period.

3. **Defined Terms.**

(a) General Rule Maturities means those Maturities of the Series 2018 Bonds listed in Schedule A hereto as the "General Rule Maturities."

(b) Hold-the-Offering-Price Maturities means those Maturities of the Series 2018 Bonds listed in Schedule A hereto as the "Hold-the-Offering-Price Maturities."

(c) Holding Period means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (March 8, 2018), or (ii) the date on which the Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) Issuer means the City of Salem, West Virginia.

(e) Maturity means Series 2018 Bonds with the same credit and payment terms. Series 2018 Bonds with different maturity dates, or Series 2018 Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) Sale Date means the first day on which there is a binding contract in writing for the sale of a Maturity of the Series 2018 Bonds. The Sale Date of the Series 2018 Bonds is March 8, 2018.

(h) Underwriter means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2018 Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Series 2018 Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Series 2018 Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Series 2018 Bonds, and by Steptoe & Johnson PLLC in connection with rendering its opinion that the interest on the Series 2018 Bonds is excluded from gross income for federal income tax purposes,

the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice it may give to the Issuer from time to time relating to the Series 2018 Bonds.

CREWS & ASSOCIATES INC.

By:_____

Name:_____

Dated: _____, 2018

SCHEDULE A
SALE PRICES OF THE GENERAL RULE MATURITIES AND INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES

GENERAL RULE MATURITIES

$1,310,000 4.000% Series 2018 A Term Bonds due December 1, 2032 priced at 104.912%
$305,000 3.000% Series 2018 B Term Bonds due December 1, 2021 priced at 100.000%
$390,000 3.250% Series 2018 B Term Bonds due December 1, 2025 priced at 99.325%
$330,000 3.500% Series 2018 B Term Bonds due December 1, 2028 priced at 98.680%
$490,000 4.000% Series 2018 B Term Bonds due December 1, 2032 priced at 100.000%
$740,000 4.000% Series 2018 B Term Bonds due December 1, 2037 priced at 97.991%

HOLD-THE-OFFERING-PRICE MATURITIES

NONE

SCHEDULE B
PRICING WIRE OR EQUIVALENT COMMUNICATION
(Not Applicable)

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") is by and between the City of Salem, West Virginia (the "Issuer"), and United Bank, Charleston, West Virginia (the "Dissemination Agent"), in connection with the issuance by the City of Salem, West Virginia, of $1,310,000 Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified) and $2,255,000 Sewer Revenue Bonds, Series 2018 B (Bank Qualified) (collectively, the "Bonds"). The Bonds are being issued pursuant to an ordinance enacted by the Council of the Issuer on July 25, 2017, as supplemented by a supplemental parameters resolution adopted on February 13, 2018 (said ordinance, as so supplemented and together with the Certificate of Determinations incorporated by reference, the "Ordinance"). This Agreement shall also be executed by the Sanitary Board of the Issuer, to evidence its agreement to the provisions applicable to it and, upon such execution and delivery to the Dissemination Agent, this Agreement shall also constitute a binding agreement between the Sanitary Board and the Dissemination Agent. The Issuer and Dissemination Agent and, to the extent applicable, the Sanitary Board covenant and agree as follows:

Section 1. Purpose of Agreement. The Agreement is being executed and delivered by the Issuer and Dissemination Agent and, to the extent applicable, the Sanitary Board for the benefit of the holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with SEC Rule 15c2-l2.

Section 2. Definitions. In addition to the definitions set forth in the Ordinance and the Bond Purchase Agreement dated March 8, 2018, which apply to any capitalized term used in the Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" means, collectively, the Financial Information and Operating Data as herein defined.

"Audited Financial Statements" means, together, (i) the annual financial statements with respect to the System, whether included in the annual financial statements of the Issuer or prepared solely with respect to the System, prepared in accordance with GAAP, and (ii) the annual financial statements of the Issuer (which may be the same as those provided pursuant to item (i)), each of which financial statements shall have been audited by a firm of independent certified public accountants or the Office of the Auditor of the State of West Virginia.

"Beneficial Owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Disclosure Representative" means the then current City Manager of the Issuer, or his or her designee.

"Dissemination Agent" initially means United Bank, Charleston, West Virginia, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"EMMA" means the Electronic Municipal Market Access System described in the 1934 Act Release No. 59062 and maintained by the Municipal Securities Rulemaking Board for purposes of the Rule.

"Financial Information" means the Audited Financial Statements for the most recent fiscal year if available on the Due Date and, if not then available, unaudited financial statements of the System and/or the Issuer for the most recent fiscal year, with the Audited Financial Statements for such fiscal year to be provided when available.

"Listed Event" means any of the Section 5 Listed Events or the Section 6 Listed Events.

"National Repository" means the Municipal Securities Rulemaking Board, Washington, D.C., the sole Nationally Recognized Municipal Securities Information Repository for purposes of the Rule, effective as of July 1, 2009.

"Operating Data" means the information regarding the System for the most recent fiscal year as reflected in the "Form of Filing of Operating Data" attached hereto as Exhibit A. The Sanitary Board may amend and/or modify the Form of Filing of Operating Data one or more times prior to the maturity of the Bonds if such amendment or modification, in the reasonable opinion of the Sanitary Board, at its sole discretion, provides either more information, or additional clarity with respect to information being provided, regarding the System.

"Participating Underwriter" means the original underwriter(s) of the Bonds who are required to comply with the Rule in connection with offering of the Bonds.

"Repository" means each National Repository and the State Repository, if any.

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Sanitary Board" means the municipal sanitary board established by the Issuer pursuant to the Act for the custody, administration, operation, and maintenance of the System.

"Section 5 Listed Event" means any of the events listed in Subsection 5(a) of this Agreement.

"Section 6 Listed Event" means any of the events listed in Subsection 6(a) of this Agreement.

"State" means the State of West Virginia.

"State Repository" means any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Agreement, there is no State Repository.

"System" means the sanitary sewerage collection and treatment system owned by the Issuer and in the custody of and administered, operated and maintained by the Sanitary Board, as of the date of this Agreement, and all future additions, extensions and betterments thereto.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than the last day of the fiscal year immediately following the end of the Issuer's fiscal year for which disclosure is due (the "Due Date"), commencing with the report for the Fiscal Year ending June 30, 2018, and having a Due Date of June 30, 2019, provide to EMMA the Annual Financial Information which is consistent with the requirements of this Agreement. The Annual Financial Information may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in this Agreement. The Issuer shall provide the Dissemination Agent with a copy of the Annual Financial Information to be filed under this Agreement. If the Issuer's fiscal year changes, the Issuer shall give notice of such change in the same manner as for a Section 5 Listed Event. The Dissemination Agent shall send written notice to the Issuer 30 days prior to the Due Date of the Annual Financial Information that such information is due by the Due Date. Such notice from the Dissemination Agent shall include notification to the Issuer of any prior fiscal years for which Annual Financial Information is due.

(b) Not later than 30 business days prior to the Due Date, the Issuer shall provide the Annual Financial Information to the Dissemination Agent. If by the Due Date the Dissemination Agent has not received all, or any portion of, the Annual Financial Information, the Dissemination Agent shall contact the Issuer to determine if the Issuer is in compliance with the first sentence of this Subsection (b). If the Dissemination Agent is unable to provide to EMMA all, or any portion of, the Annual Financial Information by the date required in Subsection (a), the Dissemination Agent shall (i) file with EMMA any portion of the Annual Financial Information which the Issuer has provided, and (ii) send a notice to EMMA in substantially the form attached as Exhibit B.

(c) The Dissemination Agent shall file a report with the Issuer certifying that the Annual Financial Information has been provided to EMMA pursuant to this Agreement and the date provided.

Section 4. Content of Annual Financial Information. The Annual Financial Information shall include the Financial Information and the Operating Data, as defined in this Agreement. The Sanitary Board shall provide the Operating Data and, if it has separate audited financial statements, the Financial Information of the Issuer for its submittal to the Dissemination Agent.

Any or all of the items comprising the Annual Financial Information may be included by specific reference to other documents, including official statements of debt issues of the Issuer secured by the revenues of the System, which have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds ("Section 5 Listed Events"):

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;

3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;

5. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

6. Defeasances;

7. Rating changes;

8. Bankruptcy, insolvency, receivership, or similar event of the Issuer[1]; and

9. Tender offers.

(b) The Dissemination Agent shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Section 5 Listed Events contact the Disclosure Representative, inform such person of the event, and request that the Issuer promptly instruct the Dissemination Agent in writing to report the event pursuant to Subsection (d).

(c) The Issuer shall promptly file with the Dissemination Agent a notice of such occurrence to be provided to EMMA.

(d) When the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Section 5 Listed Event, the Dissemination Agent shall file a notice of such occurrence with EMMA with a

[1] For the purposes of the event identified in Section 5(a)(12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

copy to the Issuer. The Dissemination Agent will exercise its best efforts to file such notice with EMMA within ten (10) Business Days of the occurrence of such Section 5 Listed Event.

Section 6. Reporting of Additional Significant Events.

(a) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds if applicable within the provisions of this Section 6 ("Section 6 Listed Events"):

1. Non-payment related defaults, if material;

2. Modifications to rights of security holders, if material;

3. Bond calls, if material;

4. Release, substitution, or sale of property securing repayment of the Bonds, if material;

5. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action; or the termination of a definitive agreement relating to any such actions, other than pursuant to its term, if material; and

6. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Dissemination Agent shall, within one (1) business day of obtaining actual knowledge of the occurrence of any of the Section 6 Listed Events contact the Disclosure Representative, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to Subsection (e) or (f).

(c) Whenever the Issuer obtains knowledge of the occurrence of a Section 6 Listed Event because of a notice from the Dissemination Agent pursuant to Subsection (b) or otherwise, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws; in any event, such determination must be made and submitted to the Dissemination Agent within two (2) business days.

(d) If the Issuer determines that knowledge of the occurrence of any of the Section 6 Listed Events would be material under applicable federal securities laws pursuant to Subsection (c), the Issuer shall promptly file with the Dissemination Agent a notice of such occurrence to be provided to EMMA.

(e) If in response to a request under Subsection (b), the Issuer determines that the Section 6 Listed Event would not be material under applicable federal securities laws, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to Subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Section 6 Listed Event, the Dissemination Agent shall file a notice of such occurrence with EMMA with a copy to the Issuer. The Dissemination Agent will exercise its best efforts to file such notice with EMMA within 10 business days of the occurrence of such Section 6 Listed Event.

Section 7. Termination of Reporting Obligation. The Issuer's obligations under the Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for any of the Section 5 Listed Events.

Section 8. Dissemination Agent. United Bank is hereby appointed as Dissemination Agent. The Issuer may, from time to time, appoint or engage an alternate or successor Dissemination Agent, or serve as the Dissemination Agent itself, to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer or the Sanitary Board pursuant to the Agreement, unless the Issuer is serving as Dissemination Agent.

Section 9. Amendment, Waiver. Notwithstanding any other provision of this Agreement, the Issuer and the Dissemination Agent and, to the extent applicable, the Sanitary Board may amend this Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Issuer) and any provision of this Agreement may be waived (and the Dissemination Agent shall agree to any waiver so requested by the Issuer), if such amendment or waiver is supported by an opinion of nationally recognized counsel expert in federal securities laws acceptable to the Issuer and the Dissemination Agent to the effect that such amendment or waiver should not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in, or official interpretation of, the Rule.

Section 10. Additional Information. Nothing in the Agreement shall be deemed to prevent the Issuer or the Sanitary Board from disseminating any other information, using the means of dissemination set forth in the Agreement or any other means of communication, or including any other information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events, in addition to that which is required by the Agreement. If the Issuer or the Sanitary Board chooses to include any information in any Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events in addition to that which is specifically required by the Agreement, the Issuer or the Sanitary Board, as applicable, shall have no obligation under the Agreement to update such information or include it in any future Annual Financial Information and Audited Financial Statements or notice of occurrence of any of the Listed Events.

Section 11. Default. In the event of a failure of the Issuer, the Sanitary Board or Dissemination Agent to comply with any provision of the Agreement (and, at the request of the Participating Underwriter), the Dissemination Agent may or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer, the Sanitary Board or Dissemination Agent to comply with its obligations under the Agreement. A default under the Agreement shall not be deemed an Event of Default under the Ordinance, and the sole remedy under the Agreement in the event of any failure of the Issuer or Dissemination Agent to comply with the Agreement shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in the Agreement, and the Issuer and the Sanitary Board agree to the extent allowed by State law to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer and the Sanitary Board under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Notices. Any notices or communications to or among any of the parties to the Agreement may be given as follows:

To the Issuer:

City of Salem
Attention: City Manager
P.O. Box 352
229 West Main Street
Salem, West Virginia 26426
Phone 304-782-1318

To the Dissemination Agent:

United Bank
500 Virginia Street, East
Charleston, West Virginia 25301
Attention: Trust Department

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. The Agreement shall inure solely to the benefit of the Issuer, the Sanitary Board, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 15. Counterparts. The Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 16. Fees. The Sanitary Board agrees to pay all fees and expenses of the Dissemination Agent including, without limitation, all reasonable expenses, charges, costs, attorney's fees and other disbursements in the administration and performance of the Dissemination Agent's duties.

Section 17. Resignation. The Dissemination Agent may resign at any time by providing thirty (30) days' written notice to the Issuer. Should the Dissemination Agent resign such position or become unable to serve in such capacity, the Issuer agrees to use its diligent and commercially reasonable efforts to hire and retain a competent individual or entity to perform the duties and obligations of the Dissemination Agent set

forth in the Agreement. If, despite its diligent and commercially reasonable efforts, the Issuer is unable to hire or retain a competent individual or entity to perform the duties and obligations of the Dissemination Agent as described in the Agreement, the Issuer agrees to provide or cause to be provided the information required hereby.

Section 18. Right to Counsel. The Dissemination Agent shall have the right to consult with counsel in carrying out its duties under the Agreement and to rely upon an opinion of counsel.

IN WITNESS THEREOF, the Issuer and the Dissemination Agent have caused this Agreement to be executed by their duly authorized representatives the day and year first written above.

CITY OF SALEM, WEST VIRGINIA

By: _____

Its: _____

UNITED BANK, as Dissemination Agent

By: _____

Its: Vice President

To evidence its acceptance of its responsibilities under the Agreement:

THE SANITARY BOARD OF THE CITY OF SALEM

By: _____

Its: _____

IN WITNESS THEREOF, the Issuer and the Dissemination Agent have caused this Agreement to be executed by their duly authorized representatives the day and year first written above.

CITY OF SALEM, WEST VIRGINIA

By: _____

Its: _____

UNITED BANK, as Dissemination Agent

By: _____

Its: _____

To evidence its acceptance of its responsibilities under the Agreement:

THE SANITARY BOARD OF THE CITY OF SALEM

By: _____

Its: _____

EXHIBIT A

FORM OF FILING OF OPERATING DATA

Name of Issuer: City of Salem, West Virginia

Name of Issue: City of Salem, West Virginia, Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified) and Sewer Revenue Bonds, Series 2018 B (Bank Qualified) (CUSIP: 794641)

Date of Issuance: March 28, 2018

Operating Data
For Fiscal Year Ending: June 30, 20___

In compliance with the requirements of the Continuing Disclosure Agreement executed by the Issuer and, to the extent applicable, the Sanitary Board in conjunction with the above-referenced Issue (the "Bonds"), the following Operating Data with respect to the System is provided for the above-stated fiscal year and, where noted, for the four (4) immediately preceding fiscal years.

Debt Service Coverage

The Audited Financial Statements for the fiscal year ended June 30, _____ with respect to the System which have been, or will be, filed as part of the Annual Financial Information include a calculation of debt service coverage, which is incorporated herein by reference.

SYSTEM OPERATING DATA

The following tables set forth (i) the System's average number of customers and (ii) the System's treatment experience according to customer classes.

Average Number of Sewer Customers

Fiscal Year:

	Gallons Billed (000)	Number of Customers
Residential		
Commercial		
Industrial		
Public Authorities		
Outside Communities		

The ten largest users (not considering collection and treatment provided to resale customers, if any) and their billings for the fiscal year ended June 30, 20____ were:

		Annual Discharge (000)	Annual Revenue
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
	TOTAL		

Billing and Collection Experience:

YEAR	BILLED	COLLECTED	%

For information regarding the rate tariff for the System, please see www.psc.state.wv.us.

EXHIBIT B

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL FINANCIAL INFORMATION

Name of Issuer:	The City of Salem, West Virginia
Name of Issue:	City of Salem, West Virginia, Sewer Refunding Revenue Bonds, Series 2018 A (Bank Qualified) and Sewer Revenue Bonds, Series 2018 B (Bank Qualified) (CUSIP: 794641)
Date of Issuance:	March 28, 2018

Notice is hereby given that the Issuer has not provided all [or a portion of] the Annual Financial Information with respect to the above-named Bonds as required by the Continuing Disclosure Agreement executed in connection with the above-referenced bond issue. The Issuer anticipates that the Annual Financial Information, or remaining Annual Financial Information, will be filed by _____, 20__.

Dated this _____.

CITY OF SALEM, WEST VIRGINIA

By: _____

Its: _____

The Depository Trust Company

A subsidiary of the Depository Trust & Clearing Corporation

BLANKET ISSUER LETTER OF REPRESENTATIONS

(To be completed by Issuer and Co-Issuer(s), if applicable)

City of Salem, West Virginia

(Name of Issuer and Co-Issuer(s), if applicable)

February 5, 2018

(Date)

The Depository Trust Company
570 Washington Blvd, 4th FL
Jersey City, NJ 07310
Attention: Underwriting Department

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request to be made eligible for deposit by The Depository Trust Company ("DTC").

Issuer is: **(Note: Issuer shall represent one and cross out the other.)**

[incorporated in] [formed under the laws of] West Virginia.

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Very truly yours,

Note:
Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

City of Salem, West Virginia
(Issuer)

By: Ronnie Davis
(Authorized Officer's Signature)

Mr. Ronnie Davis (City Manager)
(Print Name)

PO Box 352
(Street Address)

Salem, West Virginia, United States, 26426
(City) (State) (Country) (Zip Code)

304-782-1318
(Phone Number)

salemmanager@frontier.com
(E-mail Address)

DTCC

$3,565,000

City of Salem (West Virginia)

Sewer Revenue Bonds, Consisting of:

Series 2018 A (Bank Qualified) & Series 2018 B (Bank Qualified)

Total Issue Sources And Uses

Dated 03/28/2018 | Delivered 03/28/2018

	Series 2018 A (Refunding)	Series 2018 B (New Money)	Issue Summary
Sources Of Funds			
Par Amount of Bonds	$1,310,000.00	$2,255,000.00	$3,565,000.00
Transfers from Series 1995 B Reserve Fund	110,380.15	-	110,380.15
Reoffering Premium	64,347.20	-	64,347.20
Original Issue Discount (OID)	-	(21,855.10)	(21,855.10)
Total Sources	**$1,484,727.35**	**$2,233,144.90**	**$3,717,872.25**
Uses Of Funds			
Series 1995 B Payoff Amount	1,312,262.98	-	1,312,262.98
Deposit to Project Fund	-	1,977,221.99	1,977,221.99
Deposit to Debt Service Reserve Fund (DSRF)	120,200.00	167,250.00	287,450.00
Total Underwriter's Discount (2.000%)	26,200.00	45,100.00	71,300.00
Costs of Issuance	26,064.37	43,572.91	69,637.28
Total Uses	**$1,484,727.35**	**$2,233,144.90**	**$3,717,872.25**

$3,565,000

City of Salem (West Virginia)

Sewer Revenue Bonds, Consisting of:

Series 2018 A (Bank Qualified) & Series 2018 B (Bank Qualified)

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price		YTM	Call Date	Call Price	Dollar Price
12/01/2021	Term 1 Coupon	3.000%	3.000%	305,000.00	100.000%		-	-	-	305,000.00
12/01/2025	Term 2 Coupon	3.250%	3.350%	390,000.00	99.325%		-	-	-	387,367.50
12/01/2028	Term 3 Coupon	3.500%	3.650%	330,000.00	98.680%		-	-	-	325,644.00
12/01/2032	Term 4 Coupon	4.000%	4.000%	490,000.00	100.000%		-	-	-	490,000.00
12/01/2032	Term 5 Coupon	4.000%	3.050%	1,310,000.00	104.912%	c	3.567%	12/01/2023	100.000%	1,374,347.20
12/01/2037	Term 6 Coupon	4.000%	4.150%	740,000.00	97.991%		-	-	-	725,133.40
Total		-	-	**$3,565,000.00**	-	-	-	-	-	**$3,607,492.10**

Bid Information

Par Amount of Bonds	$3,565,000.00
Reoffering Premium or (Discount)	42,492.10
Gross Production	$3,607,492.10
Total Underwriter's Discount (2.000%)	$(71,300.00)
Bid (99.192%)	3,536,192.10
Total Purchase Price	$3,536,192.10
Bond Year Dollars	$37,026.38
Average Life	10.386 Years
Average Coupon	3.8880275%
Net Interest Cost (NIC)	3.9658312%
True Interest Cost (TIC)	3.9742909%

$3,565,000
City of Salem (West Virginia)
Sewer Revenue Bonds, Consisting of:
Series 2018 A (Bank Qualified) & Series 2018 B (Bank Qualified)

Debt Service Schedule (Annual)

Date	Principal	Coupon	Interest	Total P+I	DSR	Net New D/S
12/01/2018	105,000.00	3.571%	91,108.13	196,108.13	-	196,108.13
12/01/2019	155,000.00	3.452%	131,225.00	286,225.00	-	286,225.00
12/01/2020	155,000.00	3.452%	125,875.00	280,875.00	-	280,875.00
12/01/2021	165,000.00	3.455%	120,525.00	285,525.00	-	285,525.00
12/01/2022	170,000.00	3.581%	114,825.00	284,825.00	-	284,825.00
12/01/2023	175,000.00	3.593%	108,737.50	283,737.50	-	283,737.50
12/01/2024	185,000.00	3.595%	102,450.00	287,450.00	-	287,450.00
12/01/2025	185,000.00	3.595%	95,800.00	280,800.00	-	280,800.00
12/01/2026	195,000.00	3.731%	89,150.00	284,150.00	-	284,150.00
12/01/2027	205,000.00	3.732%	81,875.00	286,875.00	-	286,875.00
12/01/2028	210,000.00	3.726%	74,225.00	284,225.00	-	284,225.00
12/01/2029	215,000.00	4.000%	66,400.00	281,400.00	-	281,400.00
12/01/2030	225,000.00	4.000%	57,800.00	282,800.00	-	282,800.00
12/01/2031	235,000.00	4.000%	48,800.00	283,800.00	-	283,800.00
12/01/2032	245,000.00	4.000%	39,400.00	284,400.00	(120,200.00)	164,200.00
12/01/2033	135,000.00	4.000%	29,600.00	164,600.00	-	164,600.00
12/01/2034	140,000.00	4.000%	24,200.00	164,200.00	-	164,200.00
12/01/2035	150,000.00	4.000%	18,600.00	168,600.00	-	168,600.00
12/01/2036	155,000.00	4.000%	12,600.00	167,600.00	-	167,600.00
12/01/2037	160,000.00	4.000%	6,400.00	166,400.00	(167,250.00)	(850.00)
Total	**$3,565,000.00**	**-**	**$1,439,595.63**	**$5,004,595.63**	**(287,450.00)**	**$4,717,145.63**

$3,565,000

City of Salem (West Virginia)

Sewer Revenue Bonds, Consisting of:

Series 2018 A (Bank Qualified) & Series 2018 B (Bank Qualified)

Debt Service Schedule (Fiscal)

Date	Principal	Coupon	Interest	Total P+I	DSR	Net New D/S
06/30/2018	-	-	-	-	-	-
06/30/2019	105,000.00	3.571%	156,720.63	261,720.63	-	261,720.63
06/30/2020	155,000.00	3.452%	128,550.00	283,550.00	-	283,550.00
06/30/2021	155,000.00	3.452%	123,200.00	278,200.00	-	278,200.00
06/30/2022	165,000.00	3.455%	117,675.00	282,675.00	-	282,675.00
06/30/2023	170,000.00	3.581%	111,781.25	281,781.25	-	281,781.25
06/30/2024	175,000.00	3.593%	105,593.75	280,593.75	-	280,593.75
06/30/2025	185,000.00	3.595%	99,125.00	284,125.00	-	284,125.00
06/30/2026	185,000.00	3.595%	92,475.00	277,475.00	-	277,475.00
06/30/2027	195,000.00	3.731%	85,512.50	280,512.50	-	280,512.50
06/30/2028	205,000.00	3.732%	78,050.00	283,050.00	-	283,050.00
06/30/2029	210,000.00	3.726%	70,312.50	280,312.50	-	280,312.50
06/30/2030	215,000.00	4.000%	62,100.00	277,100.00	-	277,100.00
06/30/2031	225,000.00	4.000%	53,300.00	278,300.00	-	278,300.00
06/30/2032	235,000.00	4.000%	44,100.00	279,100.00	-	279,100.00
06/30/2033	245,000.00	4.000%	34,500.00	279,500.00	(120,200.00)	159,300.00
06/30/2034	135,000.00	4.000%	26,900.00	161,900.00	-	161,900.00
06/30/2035	140,000.00	4.000%	21,400.00	161,400.00	-	161,400.00
06/30/2036	150,000.00	4.000%	15,600.00	165,600.00	-	165,600.00
06/30/2037	155,000.00	4.000%	9,500.00	164,500.00	-	164,500.00
06/30/2038	160,000.00	4.000%	3,200.00	163,200.00	(167,250.00)	(4,050.00)
Total	**$3,565,000.00**	**-**	**$1,439,595.63**	**$5,004,595.63**	**(287,450.00)**	**$4,717,145.63**

$3,565,000

City of Salem (West Virginia)

Sewer Revenue Bonds, Consisting of:

Series 2018 A (Bank Qualified) & Series 2018 B (Bank Qualified)

Proof of D/S for Arbitrage Purposes

Date	Principal	Interest	Total
03/28/2018	-	-	-
12/01/2018	105,000.00	91,108.13	196,108.13
06/01/2019	-	65,612.50	65,612.50
12/01/2019	155,000.00	65,612.50	220,612.50
06/01/2020	-	62,937.50	62,937.50
12/01/2020	155,000.00	62,937.50	217,937.50
06/01/2021	-	60,262.50	60,262.50
12/01/2021	165,000.00	60,262.50	225,262.50
06/01/2022	-	57,412.50	57,412.50
12/01/2022	170,000.00	57,412.50	227,412.50
06/01/2023	-	54,368.75	54,368.75
12/01/2023	1,055,000.00	54,368.75	1,109,368.75
06/01/2024	-	33,625.00	33,625.00
12/01/2024	100,000.00	33,625.00	133,625.00
06/01/2025	-	32,000.00	32,000.00
12/01/2025	100,000.00	32,000.00	132,000.00
06/01/2026	-	30,375.00	30,375.00
12/01/2026	105,000.00	30,375.00	135,375.00
06/01/2027	-	28,537.50	28,537.50
12/01/2027	110,000.00	28,537.50	138,537.50
06/01/2028	-	26,612.50	26,612.50
12/01/2028	115,000.00	26,612.50	141,612.50
06/01/2029	-	24,600.00	24,600.00
12/01/2029	115,000.00	24,600.00	139,600.00
06/01/2030	-	22,300.00	22,300.00
12/01/2030	120,000.00	22,300.00	142,300.00
06/01/2031	-	19,900.00	19,900.00
12/01/2031	125,000.00	19,900.00	144,900.00
06/01/2032	-	17,400.00	17,400.00
12/01/2032	130,000.00	17,400.00	147,400.00
06/01/2033	-	14,800.00	14,800.00
12/01/2033	135,000.00	14,800.00	149,800.00
06/01/2034	-	12,100.00	12,100.00
12/01/2034	140,000.00	12,100.00	152,100.00
06/01/2035	-	9,300.00	9,300.00
12/01/2035	150,000.00	9,300.00	159,300.00
06/01/2036	-	6,300.00	6,300.00
12/01/2036	155,000.00	6,300.00	161,300.00
06/01/2037	-	3,200.00	3,200.00
12/01/2037	160,000.00	3,200.00	163,200.00
Total	**$3,565,000.00**	**$1,254,395.63**	**$4,819,395.63**

$3,565,000

City of Salem (West Virginia)

Sewer Revenue Bonds, Consisting of:

Series 2018 A (Bank Qualified) & Series 2018 B (Bank Qualified)

Proof Of Bond Yield @ 3.6950821%

Date	Cashflow	PV Factor	Present Value	Cumulative PV
03/28/2018	-	1.0000000x	-	-
12/01/2018	196,108.13	0.9755887x	191,320.88	191,320.88
06/01/2019	65,612.50	0.9578913x	62,849.64	254,170.52
12/01/2019	220,612.50	0.9405149x	207,489.34	461,659.85
06/01/2020	62,937.50	0.9234537x	58,119.87	519,779.72
12/01/2020	217,937.50	0.9067020x	197,604.36	717,384.08
06/01/2021	60,262.50	0.8902542x	53,648.94	771,033.02
12/01/2021	225,262.50	0.8741047x	196,903.02	967,936.04
06/01/2022	57,412.50	0.8582482x	49,274.18	1,017,210.22
12/01/2022	227,412.50	0.8426794x	191,635.83	1,208,846.05
06/01/2023	54,368.75	0.8273930x	44,984.32	1,253,830.37
12/01/2023	1,109,368.75	0.8123838x	901,233.25	2,155,063.62
06/01/2024	33,625.00	0.7976470x	26,820.88	2,181,884.50
12/01/2024	133,625.00	0.7831775x	104,652.09	2,286,536.59
06/01/2025	32,000.00	0.7689704x	24,607.05	2,311,143.64
12/01/2025	132,000.00	0.7550211x	99,662.78	2,410,806.43
06/01/2026	30,375.00	0.7413248x	22,517.74	2,433,324.17
12/01/2026	135,375.00	0.7278770x	98,536.35	2,531,860.52
06/01/2027	28,537.50	0.7146731x	20,394.98	2,552,255.50
12/01/2027	138,537.50	0.7017088x	97,212.98	2,649,468.48
06/01/2028	26,612.50	0.6889796x	18,335.47	2,667,803.95
12/01/2028	141,612.50	0.6764813x	95,798.21	2,763,602.16
06/01/2029	24,600.00	0.6642098x	16,339.56	2,779,941.72
12/01/2029	139,600.00	0.6521608x	91,041.65	2,870,983.37
06/01/2030	22,300.00	0.6403305x	14,279.37	2,885,262.74
12/01/2030	142,300.00	0.6287147x	89,466.10	2,974,728.84
06/01/2031	19,900.00	0.6173096x	12,284.46	2,987,013.30
12/01/2031	144,900.00	0.6061115x	87,825.55	3,074,838.85
06/01/2032	17,400.00	0.5951165x	10,355.03	3,085,193.88
12/01/2032	147,400.00	0.5843209x	86,128.90	3,171,322.78
06/01/2033	14,800.00	0.5737212x	8,491.07	3,179,813.85
12/01/2033	149,800.00	0.5633137x	84,384.39	3,264,198.24
06/01/2034	12,100.00	0.5530950x	6,692.45	3,270,890.69
12/01/2034	152,100.00	0.5430618x	82,599.69	3,353,490.39
06/01/2035	9,300.00	0.5332105x	4,958.86	3,358,449.25
12/01/2035	159,300.00	0.5235379x	83,399.59	3,441,848.83
06/01/2036	6,300.00	0.5140408x	3,238.46	3,445,087.29
12/01/2036	161,300.00	0.5047160x	81,410.68	3,526,497.97
06/01/2037	3,200.00	0.4955603x	1,585.79	3,528,083.77
12/01/2037	163,200.00	0.4865707x	79,408.33	3,607,492.10
Total	**$4,819,395.63**	**-**	**$3,607,492.10**	**-**

Derivation Of Target Amount

Par Amount of Bonds	$3,565,000.00
Reoffering Premium or (Discount)	42,492.10
Original Issue Proceeds	$3,607,492.10

Crews&Associates
Member First Security Group

$3,565,000

City of Salem (West Virginia)

Sewer Revenue Bonds, Consisting of:

Series 2018 A (Bank Qualified) & Series 2018 B (Bank Qualified)

Derivation Of Form 8038 Yield Statistics

Maturity	Issuance Value	Coupon	Price	Issuance Price	Exponent	Bond Years
03/28/2018	-	-	-	-	-	-
12/01/2018	45,000.00	3.000%	100.000%	45,000.00	0.6750000x	30,375.00
12/01/2018	60,000.00	4.000%	104.912%	62,947.20	0.6750000x	42,489.36
12/01/2019	85,000.00	3.000%	100.000%	85,000.00	1.6750000x	142,375.00
12/01/2019	70,000.00	4.000%	104.912%	73,438.40	1.6750000x	123,009.32
12/01/2020	85,000.00	3.000%	100.000%	85,000.00	2.6750000x	227,375.00
12/01/2020	70,000.00	4.000%	104.912%	73,438.40	2.6750000x	196,447.72
12/01/2021	90,000.00	3.000%	100.000%	90,000.00	3.6750000x	330,750.00
12/01/2021	75,000.00	4.000%	104.912%	78,684.00	3.6750000x	289,163.70
12/01/2022	95,000.00	3.250%	99.325%	94,358.75	4.6750000x	441,127.16
12/01/2022	75,000.00	4.000%	104.912%	78,684.00	4.6750000x	367,847.70
12/01/2023	95,000.00	3.250%	99.325%	94,358.75	5.6750000x	535,485.91
12/01/2023	80,000.00	4.000%	104.912%	83,929.60	5.6750000x	476,300.48
12/01/2024	100,000.00	3.250%	99.325%	99,325.00	6.6750000x	662,994.38
12/01/2024	85,000.00	4.000%	104.912%	89,175.20	6.6750000x	595,244.46
12/01/2025	100,000.00	3.250%	99.325%	99,325.00	7.6750000x	762,319.38
12/01/2025	85,000.00	4.000%	104.912%	89,175.20	7.6750000x	684,419.66
12/01/2026	105,000.00	3.500%	98.680%	103,614.00	8.6750000x	898,851.45
12/01/2026	90,000.00	4.000%	104.912%	94,420.80	8.6750000x	819,100.44
12/01/2027	110,000.00	3.500%	98.680%	108,548.00	9.6750000x	1,050,201.90
12/01/2027	95,000.00	4.000%	104.912%	99,666.40	9.6750000x	964,272.42
12/01/2028	115,000.00	3.500%	98.680%	113,482.00	10.6750000x	1,211,420.35
12/01/2028	95,000.00	4.000%	104.912%	99,666.40	10.6750000x	1,063,938.82
12/01/2029	115,000.00	4.000%	100.000%	115,000.00	11.6750000x	1,342,625.00
12/01/2029	100,000.00	4.000%	104.912%	104,912.00	11.6750000x	1,224,847.60
12/01/2030	120,000.00	4.000%	100.000%	120,000.00	12.6750000x	1,521,000.00
12/01/2030	105,000.00	4.000%	104.912%	110,157.60	12.6750000x	1,396,247.58
12/01/2031	125,000.00	4.000%	100.000%	125,000.00	13.6750000x	1,709,375.00
12/01/2031	110,000.00	4.000%	104.912%	115,403.20	13.6750000x	1,578,138.76
12/01/2032	130,000.00	4.000%	100.000%	130,000.00	14.6750000x	1,907,750.00
12/01/2032	115,000.00	4.000%	104.912%	120,648.80	14.6750000x	1,770,521.14
12/01/2033	135,000.00	4.000%	97.991%	132,287.85	15.6750000x	2,073,612.05
12/01/2034	140,000.00	4.000%	97.991%	137,187.40	16.6750000x	2,287,599.90
12/01/2035	150,000.00	4.000%	97.991%	146,986.50	17.6750000x	2,597,986.39
12/01/2036	155,000.00	4.000%	97.991%	151,886.05	18.6750000x	2,836,471.98
12/01/2037	160,000.00	4.000%	97.991%	156,785.60	19.6750000x	3,084,756.68
Total	**$3,565,000.00**	**-**	**-**	**$3,607,492.10**	**-**	**$37,246,441.67**

Description of Bonds	
Final Maturity Date	12/01/2037
Issue price of entire issue	3,607,492.10
Stated Redemption at Maturity	3,565,000.00
Weighted Average Maturity = Bond Years/Issue Price	10.325 Years
Bond Yield for Arbitrage Purposes	3.6950821%

Uses of Proceeds of Issue	
Proceeds used for accrued interest	-
Proceeds used for bond issuance costs (including underwriters' discount)	140,937.28
Proceeds used for credit enhancement	-
Proceeds allocated to reasonably required reserve or replacement fund	-

$3,565,000

City of Salem (West Virginia)

Sewer Revenue Bonds, Consisting of:

Series 2018 A (Bank Qualified) & Series 2018 B (Bank Qualified)

Proof of Reserve Fund Requirement

Date	Principal	Interest	TOTAL P+I
12/01/2018	105,000.00	91,108.13	196,108.13
12/01/2019	155,000.00	131,225.00	286,225.00
12/01/2020	155,000.00	125,875.00	280,875.00
12/01/2021	165,000.00	120,525.00	285,525.00
12/01/2022	170,000.00	114,825.00	284,825.00
12/01/2023	175,000.00	108,737.50	283,737.50
12/01/2024	185,000.00	102,450.00	287,450.00
12/01/2025	185,000.00	95,800.00	280,800.00
12/01/2026	195,000.00	89,150.00	284,150.00
12/01/2027	205,000.00	81,875.00	286,875.00
12/01/2028	210,000.00	74,225.00	284,225.00
12/01/2029	215,000.00	66,400.00	281,400.00
12/01/2030	225,000.00	57,800.00	282,800.00
12/01/2031	235,000.00	48,800.00	283,800.00
12/01/2032	245,000.00	39,400.00	284,400.00
12/01/2033	135,000.00	29,600.00	164,600.00
12/01/2034	140,000.00	24,200.00	164,200.00
12/01/2035	150,000.00	18,600.00	168,600.00
12/01/2036	155,000.00	12,600.00	167,600.00
12/01/2037	160,000.00	6,400.00	166,400.00
Total	**$3,565,000.00**	**$1,439,595.63**	**$5,004,595.63**

PROOF OF RESERVE FUND

MAXIMUM PERIODIC DEBT SERVICE	
Omit Last Period?	Yes
Omit First Period?	Yes
100 % of the Maximum Periodic Debt Service	287,450.00

AVERAGE PERIODIC DEBT SERVICE	
Total P+I	5,004,595.63
Bond Years (Delivery Date)	19.68
125 % of the Average Periodic Debt Service	317,953.98

PERCENT OF PAR	
10 % of Par	356,500.00

RESERVE REQUIREMENT	
Computed Requirement	287,450.00
Proof's Requirement	287,450.00

FINAL

CLOSING MEMO

City of Salem (West Virginia)
$1,310,000 Sewer Refunding Revenue Bonds, Series 2018 A
$2,255,000 Sewer Revenue Bonds, Series 2018 B

1. Closing for the City of Salem's (the Issuer's) Series 2018 A Sewer Refunding Revenue Bonds (the "Series 2018 A Bonds") and Series 2018 B Sewer Revenue Bonds (the "Series 2018 B Bonds", and together with the Series 2018 A Bonds, the "Series 2018 Bonds") with the Depository Trust Company will occur on Wednesday, March 28, 2018, prior to 11a.m. EDST.

2. Prior to 9:30 a.m. EDST on Wednesday, March 28, 2018, the Paying Agent will wire transfer prior bond reserve funds held by the Paying Agent for the Series 1995 B USDA Sewer Bonds (the "Prior USDA Sewer Bonds") in the total amount of $110,380.15 to the US Treasury according to the enclosed US Treasury wire instructions (Wire 1). The prior bond reserve funds transferred by the Paying Agent will be applied by the U.S. Treasury toward payment of the Prior USDA Sewer Bonds.

3. On or before March 28, 2018, the Paying Agent will establish the following accounts: (i) the Series 2018 A Sinking Fund, (ii) the Series 2018 A Debt Service Reserve Fund, (iii) the Series 2018 B Sinking Fund, and (iv) the Series 2018 B Debt Service Reserve Fund.

4. Prior to 9:30 a.m. EDST on Wednesday, March 28, 2018, Crews & Associates, Inc. (the "Underwriter") will send the following wires for the purchase of Series 2018 Bonds:

   Wire 2: $1,201,882.83 to the US Treasury toward payment of the Issuer's Prior USDA Sewer Bonds.

   Wire 3: $287,450 to the West Virginia Municipal Bond Commission (the "Paying Agent") to be deposited as follows:

   Deposit A: $120,200 deposit to the Series 2018 A Debt Service Reserve Fund

   Deposit B: $167,250 deposit to the Series 2018 B Debt Service Reserve Fund

   Wire 4: $1,977,221.99 to West Union Bank for deposit into the Series 2018 Bonds Construction Fund

   Wire 5: $69,637.28 to United Bank (the "Registrar") to pay, upon invoice, prior approved Costs of Issuance ("COI") according to the instructions given in Exhibit A.

5. A summary of the Flow of Funds for the Series 2018 Bonds is in the table below:

SOURCES OF FUNDS:	
Wire 1: West Virginia Municipal Bond Commission to U.S. Treasury for Transfer of Series 1995 B Reserve Fund Balance to pay off the Series 1995 B USDA Sewer Bonds:	110,380.15
Wire 2: Underwriter to U.S. Treasury to Payoff Series 1995 B USDA Sewer Bonds	1,201,882.83
Wire 3: Underwriter to West Virginia Municipal Bond Commission for deposit into the following accounts:	
Series 2018 A Debt Service Reserve Account	120,200.00
Series 2018 B Debt Service Reserve Account	167,250.00
Total Wire 3:	287,450.00
Wire 4: Underwriter to West Union Bank for Deposit into the Series 2018 Bonds Construction Fund	1,977,221.99
Wire 5: Underwriter to Registrar for Payment of Costs of Issuance	69,637.28
Total Sources:	**$ 3,646,572.25**
USES OF FUNDS:	
Use 1: Payoff of Series 1995 B USDA Loan to US Treasury (Wire 1 & Wire 2)	1,312,262.98
Use 2: Deposit to Series 2018 A Debt Service Reserve Account (Wire 3)	120,200.00
Use 3: Deposit to Series 2018 B Debt Service Reserve Account (Wire 3)	167,250.00
Use 4: Deposit to Series 2018 Bonds Construction Fund (Wire 4)	1,977,221.99
Use 5: Payment of Costs of Issuance by Registrar (Wire 5)	69,637.28
Total Uses:	**$ 3,646,572.25**

6. The Registrar is to allocate the funds from Wire 5 to pay the Costs of Issuance as follows:

Expense	Payable to:	$ Amount
Bond Counsel	Steptoe & Johnson, PLLC	37,500.00
Underwriter's Counsel	Bowles Rice, LLP	30,000.00
Registrar	United Bank	650.00
Underwriter's Expenses	Crews & Associates, Inc.	1,487.28
Total Expenses		$ 69,637.28

USDA
United States Department of Agriculture

Rural Development

West Virginia State Office

1550 Earl Core Road, Suite 101
Morgantown, WV 26505

Voice 304.284.4860
1.800.295.8228

TO: City of Salem

DATE: April 3, 2018

SUBJECT: Receipt and Release of Series 1995 B Bonds

City of Salem
Sewer Revenue Bonds, Series 1995 B
(United States Department of Agriculture)

RECEIPT AND RELEASE OF SERIES 1995 B BONDS

The undersigned authorized representative of the United States Department of Agriculture hereby certifies as follows:

On March 28, 2018, the Redemption Date for the Series 1995 B Bonds, the United States Department of Agriculture received the sum of $1,312,262.10 (the "Redemption Price") from the City of Salem, and such amount is sufficient to: (i) pay the entire outstanding principal of and all accrued interest on City of Salem's Sewer Revenue Bonds, Series 1995 B, dated June 27, 1995, issued in the original aggregate principal amount of $2,000,000 (the "Series 1975 B Bonds"); and (ii) discharge the liens, pledges and encumbrances securing such Series 1995 B Bonds.

WITNESS my signature this 3rd day of April, 2018.

UNITED STATES DEPARTMENT OF AGRICULTURE

By: _____
Its: Authorized Representative

USDA is an equal opportunity provider, employer, and lender.