

**CERTIFICATE OF DETERMINATION PURSUANT TO
ORDINANCE ADOPTED BY
THE COUNCIL OF
THE CORPORATION OF SHEPHERDSTOWN
ON APRIL 18, 2017, AND MADE EFFECTIVE
FOLLOWING A PUBLIC HEARING HELD ON MAY 9, 2017,
RELATING TO THE ISSUANCE AND SALE OF NOT TO EXCEED
\$3,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF CORPORATION OF
SHEPHERDSTOWN
WATER REVENUE BONDS, SERIES 2017**

The undersigned Mayor of the Corporation of Shepherdstown (the "Issuer"), acting pursuant to Section 2.04 of the Ordinance of the Issuer adopted by the Council of the Corporation of Shepherdstown on April 18, 2017, and made effective following a public hearing held on May 9, 2017 (the "Bond Ordinance"), relating to the issuance and sale of not to exceed \$3,500,000 in aggregate principal amount of Corporation of Shepherdstown Water Revenue Bonds, Series 2017 (the "Bonds"), hereby make the following determinations:

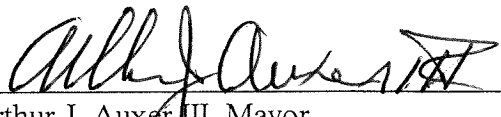
1. The Bonds shall be issued in one series designated "Corporation of Shepherdstown Water Revenue Bonds, Series 2017" in the aggregate principal amount of \$2,650,000.00.
2. The Bonds shall be dated June 15, 2017, and issued as Term Bonds in the amounts and with the maturities as provided in Exhibit A attached hereto, which maturities are no later than 32 years after the date of issuance.
3. The interest payment dates for the Bonds shall be March 1 and September 1, commencing September 1, 2017.
4. The interest rates for the Bonds shall be as provided in Exhibit A attached hereto, which interest results in an average coupon interest rate of 3.9352097% per annum.
5. The mandatory redemption provisions of the Bonds designated as Term Bonds shall be as set forth in Exhibit B, including times, amounts and redemption prices.
6. The optional redemption provisions for the Bonds shall be as set forth in Exhibit C attached hereof.
7. The purchase price for the Bonds shall be \$2,575,784.50, which is the par amount of the Bonds, \$2,650,000.00, less an underwriter's discount of \$46,375.00, less original issuance discount in the amount of \$27,840.50, as further provided in the Bond Purchase Agreement.
8. The sinking fund installments on the Bonds shall be as set forth in Exhibit D attached hereto to be payable as provided in the Bond Ordinance.

9. The sum of \$153,527.50 shall be deposited in the Series 2017 Bonds Reserve Account from the proceeds of the Bonds.

10. United Bank, Inc. is hereby designated as the Registrar.

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IN WITNESS WHEREOF, the undersigned Mayor of the Corporation of Shepherdstown has caused this Certificate of Determination to be executed as of the 1st day of June, 2017.



Arthur J. Auxer III, Mayor

EXHIBIT A

\$2,650,000
Corporation of Shepherdstown, West Virginia
Water Revenue Bonds, Series 2017
(Non-Rated / Bank Qualified)

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Optional Redemption	Price	Dollar Price
03/01/2022	Term 1 Coupon	2.250%	2.250%	275,000.00		100.000%	275,000.00
03/01/2027	Term 2 Coupon	3.000%	3.000%	325,000.00	3/1/2022 @ 100%	100.000%	325,000.00
03/01/2032	Term 3 Coupon	3.300%	3.300%	380,000.00	3/1/2022 @ 100%	100.000%	380,000.00
03/01/2037	Term 4 Coupon	3.750%	3.850%	450,000.00	3/1/2022 @ 100%	98.623%	443,803.50
03/01/2042	Term 5 Coupon	4.125%	4.250%	550,000.00	3/1/2022 @ 100%	98.093%	539,511.50
03/01/2047	Term 6 Coupon	4.250%	4.350%	670,000.00	3/1/2022 @ 100%	98.335%	658,844.50
Total	-	-	-	\$2,650,000.00	-	-	\$2,622,159.50

Bid Information

Par Amount of Bonds	\$2,650,000.00
Reoffering Premium or (Discount)	(27,840.50)
Gross Production	\$2,622,159.50
Total Underwriter's Discount (1.750%)	\$(46,375.00)
Bid (97.199%)	2,575,784.50
Total Purchase Price	\$2,575,784.50
Bond Year Dollars	\$47,329.44
Average Life	17.860 Years
Average Coupon	3.9352097%
Net Interest Cost (NIC)	4.0920159%
True Interest Cost (TIC)	4.1208338%

EXHIBIT B

MANDATORY REDEMPTION

The Bonds maturing March 1, 2022 shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2017 Bonds Redemption Account at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2018, and on each March 1 thereafter to and including March 1, 2022, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2018	\$45,000
2019	\$55,000
2020	\$55,000
2021	\$60,000
2022*	\$60,000

*Stated maturity

The principal amount of the Bonds maturing March 1, 2022, delivered to or purchased by the Issuer shall reduce pro tanto the principal amount of Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Bonds maturing March 1, 2027 shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2017 Bonds Redemption Account at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2023, and on each March 1 thereafter to and including March 1, 2027, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2023	\$60,000
2024	\$65,000
2025	\$65,000
2026	\$65,000
2027*	\$70,000

*Stated maturity

The principal amount of the Bonds maturing March 1, 2027, delivered to or purchased by the Issuer shall reduce pro tanto the principal amount of Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Bonds maturing March 1, 2032 shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2017 Bonds Redemption Account at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2028, and on each March 1 thereafter to and including March 1, 2032, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2028	\$70,000
2029	\$75,000
2030	\$75,000
2031	\$80,000
2032*	\$80,000

*Stated maturity

The principal amount of the Bonds maturing March 1, 2032, delivered to or purchased by the Issuer shall reduce pro tanto the principal amount of Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Bonds maturing March 1, 2037 shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2017 Bonds Redemption Account at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2033, and on each March 1 thereafter to and including March 1, 2037, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2033	\$85,000
2034	\$85,000
2035	\$90,000
2036	\$95,000
2037*	\$95,000

*Stated maturity

The principal amount of the Bonds maturing March 1, 2037, delivered to or purchased by the Issuer shall reduce pro tanto the principal amount of Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Bonds maturing March 1, 2042 shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2017 Bonds Redemption Account at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2038, and on each March 1 thereafter to and including March 1, 2042, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2038	\$100,000
2039	\$105,000
2040	\$110,000
2041	\$115,000
2042*	\$120,000

*Stated maturity

The principal amount of the Bonds maturing March 1, 2042, delivered to or purchased by the Issuer shall reduce pro tanto the principal amount of Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Bonds maturing March 1, 2047 shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2017 Bonds Redemption Account at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2043, and on each March 1 thereafter to and including March 1, 2047, in annual principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2043	\$120,000
2044	\$130,000
2045	\$135,000
2046	\$140,000
2047	\$145,000

*Stated maturity

The principal amount of the Bonds maturing March 1, 2047, delivered to or purchased by the Issuer shall reduce pro tanto the principal amount of Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

EXHIBIT C

OPTIONAL REDEMPTION

The Bonds are subject to redemption prior to maturity, at the option of the Corporation of Shepherdstown, in whole or in part on any date on or after March 1, 2022, at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption.

EXHIBIT D

\$2,650,000
Corporation of Shepherdstown, West Virginia
Water Revenue Bonds, Series 2017
(Non-Rated / Bank Qualified)

Debt Service Schedule

Part 1 of 2

Date	Principal	Coupon	Interest	Total P+I
06/15/2017	-	-	-	-
09/01/2017	-	-	20,375.39	20,375.39
03/01/2018	45,000.00	2.250%	48,257.50	93,257.50
09/01/2018	-	-	47,751.25	47,751.25
03/01/2019	55,000.00	2.250%	47,751.25	102,751.25
09/01/2019	-	-	47,132.50	47,132.50
03/01/2020	55,000.00	2.250%	47,132.50	102,132.50
09/01/2020	-	-	46,513.75	46,513.75
03/01/2021	60,000.00	2.250%	46,513.75	106,513.75
09/01/2021	-	-	45,838.75	45,838.75
03/01/2022	60,000.00	2.250%	45,838.75	105,838.75
09/01/2022	-	-	45,163.75	45,163.75
03/01/2023	60,000.00	3.000%	45,163.75	105,163.75
09/01/2023	-	-	44,263.75	44,263.75
03/01/2024	65,000.00	3.000%	44,263.75	109,263.75
09/01/2024	-	-	43,288.75	43,288.75
03/01/2025	65,000.00	3.000%	43,288.75	108,288.75
09/01/2025	-	-	42,313.75	42,313.75
03/01/2026	65,000.00	3.000%	42,313.75	107,313.75
09/01/2026	-	-	41,338.75	41,338.75
03/01/2027	70,000.00	3.000%	41,338.75	111,338.75
09/01/2027	-	-	40,288.75	40,288.75
03/01/2028	70,000.00	3.300%	40,288.75	110,288.75
09/01/2028	-	-	39,133.75	39,133.75
03/01/2029	75,000.00	3.300%	39,133.75	114,133.75
09/01/2029	-	-	37,896.25	37,896.25
03/01/2030	75,000.00	3.300%	37,896.25	112,896.25
09/01/2030	-	-	36,658.75	36,658.75
03/01/2031	80,000.00	3.300%	36,658.75	116,658.75
09/01/2031	-	-	35,338.75	35,338.75
03/01/2032	80,000.00	3.300%	35,338.75	115,338.75
09/01/2032	-	-	34,018.75	34,018.75
03/01/2033	85,000.00	3.750%	34,018.75	119,018.75
09/01/2033	-	-	32,425.00	32,425.00
03/01/2034	85,000.00	3.750%	32,425.00	117,425.00
09/01/2034	-	-	30,831.25	30,831.25
03/01/2035	90,000.00	3.750%	30,831.25	120,831.25
09/01/2035	-	-	29,143.75	29,143.75
03/01/2036	95,000.00	3.750%	29,143.75	124,143.75
09/01/2036	-	-	27,362.50	27,362.50
03/01/2037	95,000.00	3.750%	27,362.50	122,362.50

\$2,650,000
Corporation of Shepherdstown, West Virginia
Water Revenue Bonds, Series 2017
(Non-Rated / Bank Qualified)

Debt Service Schedule

Part 2 of 2

Date	Principal	Coupon	Interest	Total P+I
09/01/2037	-	-	25,581.25	25,581.25
03/01/2038	100,000.00	4.125%	25,581.25	125,581.25
09/01/2038	-	-	23,518.75	23,518.75
03/01/2039	105,000.00	4.125%	23,518.75	128,518.75
09/01/2039	-	-	21,353.13	21,353.13
03/01/2040	110,000.00	4.125%	21,353.13	131,353.13
09/01/2040	-	-	19,084.38	19,084.38
03/01/2041	115,000.00	4.125%	19,084.38	134,084.38
09/01/2041	-	-	16,712.50	16,712.50
03/01/2042	120,000.00	4.125%	16,712.50	136,712.50
09/01/2042	-	-	14,237.50	14,237.50
03/01/2043	120,000.00	4.250%	14,237.50	134,237.50
09/01/2043	-	-	11,687.50	11,687.50
03/01/2044	130,000.00	4.250%	11,687.50	141,687.50
09/01/2044	-	-	8,925.00	8,925.00
03/01/2045	135,000.00	4.250%	8,925.00	143,925.00
09/01/2045	-	-	6,056.25	6,056.25
03/01/2046	140,000.00	4.250%	6,056.25	146,056.25
09/01/2046	-	-	3,081.25	3,081.25
03/01/2047	145,000.00	4.250%	3,081.25	148,081.25
Total	\$2,650,000.00	-	\$1,862,512.91	\$4,512,512.91

**CORPORATION OF SHEPHERDSTOWN
WATER REVENUE BONDS,
SERIES 2017**

BOND ORDINANCE

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CORPORATION OF SHEPHERDSTOWN

BOND ORDINANCE

ORDINANCE AUTHORIZING THE ISSUANCE BY THE CORPORATION OF SHEPHERDSTOWN OF WATER REVENUE BONDS, SERIES 2017 IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN \$3,500,000, FOR THE PURPOSES OF FINANCING COSTS OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE WATER SYSTEM OF THE CORPORATION OF SHEPHERDSTOWN, FUNDING A DEBT SERVICE RESERVE FUND FOR THE SERIES 2017 BONDS AND PAYING THE COSTS OF ISSUANCE THEREOF; AUTHORIZING SAID EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS; PROVIDING AS TO THE TERMS AND PROVISIONS OF THE BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS; AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF SUCH BONDS; AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND THE EXECUTION AND DELIVERY OF AN OFFICIAL STATEMENT; DESIGNATING A REGISTRAR AND PAYING AGENT; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AND ADOPTING OTHER PROVISIONS WITH RESPECT THERETO.

BE IT ORDAINED BY THE COUNCIL OF THE CORPORATION OF SHEPHERDSTOWN:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Ordinance. This Ordinance (together with any order, ordinance or resolution supplemental hereto or amendatory hereof, the “Bond Legislation” or “Ordinance”) is enacted pursuant to the provisions of Chapter 8, Article 19 of the Code of West Virginia, 1931, as amended (the “Act”), and other applicable provisions of law.

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

A. The Corporation of Shepherdstown (the “Issuer”) is a municipal corporation of the State of West Virginia in Jefferson County of said State.

B. The Issuer presently owns and operates a municipal waterworks system. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be constructed certain extensions, additions, betterments and improvements to the Issuer’s existing waterworks system, including the extensions, additions, betterments and improvements described in Exhibit A hereto (collectively, the “Project”) (the Issuer’s existing waterworks system, the Project and any further additions, extensions, betterments and improvements thereto are herein called the “System”) in accordance with the plans and specifications prepared by Thrasher Group, Inc., Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. It is further deemed necessary for the Issuer to issue its water revenue bonds in the total aggregate principal amount of not more than \$3,500,000, being the Water Revenue Bonds, Series 2017 (the “Series 2017 Bonds”), to permanently finance the costs of the Project and the Costs of Issuance of the Series 2017 Bonds and related costs and to fund a debt service reserve fund for the Series 2017 Bonds. Said costs shall be deemed to include all costs of the acquisition and construction of the Project, the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Series 2017 Bonds prior to and during construction and acquisition and for a period not exceeding 6 months after completion of construction of the Project; amounts which may be deposited in the Series 2017 Bonds Reserve Account; engineering, accounting and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees of any Bondholder (as hereinafter defined), underwriter’s 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 or construction of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 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 estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of the System, the principal of and interest on the Series 2017 Bonds and the Prior Bonds and all Sinking Funds, Reserve Accounts and other payments provided for herein, all as such terms are hereinafter defined.

E. The aggregate amount needed to pay the costs of the acquisition and construction of the Project and issuance of the Series 2017 Bonds and to fund the debt service reserve fund for the Series 2017 Bonds is estimated to not exceed \$3,500,000, which will be permanently financed with the proceeds of the Series 2017 Bonds herein authorized.

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

G. It is in the best interests of the Issuer that the Series 2017 Bonds be sold to Crews & Associates, Inc. (the "Original Purchaser") pursuant to the terms and provisions of a bond purchase agreement by and between the Issuer and the Original Purchaser in such form as may be approved by the Mayor as further provided in Section 2.02 hereof (the "Bond Purchase Agreement").

H. There are outstanding obligations of the Issuer which will rank on parity with the Series 2017 Bonds as to liens and sources of and security for payment, which obligations are designated and have the lien positions, together with the Series 2017 Bonds, as follows:

<u>Designation</u>	<u>Lien Position</u>
Water Revenue Bonds, Series 2003A (West Virginia DWTRF Program) dated June 13, 2003, issued in the original aggregate principal amount of \$699,459 (the "Series 2003A Bonds")	First Lien
Water Revenue Bonds, Series 2003B (West Virginia DWTRF Program) dated June 13, 2003, issued in the original aggregate principal amount of \$1,300,541 (the "Series 2003B Bonds")	First Lien
Water Revenue Bonds, Series 2012 (West Virginia Infrastructure Fund) dated July 19, 2012, issued in the original aggregate principal amount of \$4,000,000 (the "Series 2012 Bonds" and together with the Series 2003A Bonds and the Series 2003B Bonds, the "Prior Bonds")	First Lien

The Series 2017 Bonds shall be issued on parity with the Prior Bonds with respect to liens, pledges and sources of and security for payment and in all other respects. The Issuer has received, or will receive prior to the bond closing date (i) a certificate of the Independent Certified Public Accountants stating that the coverage and parity tests of the Prior Bonds are met, and (ii) the consent of the registered owners of the Prior Bonds to the issuance of the Series 2017 Bonds on a parity with the Prior Bonds. Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by the revenues or assets of the System.

I. The Issuer has complied with all requirements of West Virginia law relating to authorization of the planning, development, design, acquisition and construction of the Project, the operation of the System and the issuance of the Series 2017 Bonds or will have so complied prior to issuance of any thereof, including, among other things, the obtaining of a Certificate of Public Convenience and Necessity from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which has expired prior to the issuance of the Series 2017 Bonds or has been waived by all necessary parties.

J. The Issuer shall not sell the Series 2017 Bonds without having first obtained the prior written consent of the West Virginia Water Development Authority (the "Authority") as the holder of the Prior Bonds or without approving the actual principal amount, maturity schedule and interest rates for the Series 2017 Bonds by causing the Certificate of Determination, as hereinafter defined, to be executed by its Mayor.

K. The Series 2017 Bonds and the Certificate of Authentication and Registration to be endorsed thereon are to be in substantially the forms set forth in Exhibit B to this Ordinance, with necessary and appropriate variations, omissions and insertions as permitted or required by this Ordinance or as deemed necessary by the Registrar or the Issuer.

L. 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 hereof, 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.

M. The enactment of this Ordinance, and 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.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Bonds by those who shall be the registered owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and

such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the registered owners of any and all of such Bonds, as the case may be, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

“Act” means Chapter 8, Article 19 of the Code of West Virginia, 1931, as amended and in effect on the date of enactment hereof.

“Authority” means the West Virginia Water Development Authority, which is Registered Owner of the Prior Bonds, or any other agency of the State of West Virginia that succeeds to the functions of the Authority.

“Authorized Denominations” means the denominations of \$5,000 and any integral multiple thereof.

“Authorized Officer” means the Mayor of the Issuer or any other officer of the Issuer duly appointed by the Governing Body.

“Beneficial Owner” means the purchaser of a beneficial interest in the Bonds when the Bonds are held by the Securities Depository in the Book-Entry System, and otherwise means a Bondholder.

“Bond Counsel” shall mean any law firm having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal Bonds, appointed by the Issuer, and shall initially mean Bowles Rice LLP, Charleston, West Virginia.

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

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

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

“Bonds” means, collectively, the Prior Bonds, Series 2017 Bonds and, where appropriate, any bonds on a parity therewith authorized to be issued hereunder or by another ordinance of the Issuer.

“Book-Entry System” means the system maintained by the Securities Depository described in Section 3.11.

“Business Day” means any day other than a Saturday, Sunday or a day on which national banking associations or West Virginia banking corporations are authorized by law to remain closed.

“Certificate of Authentication and Registration” means the certificate of authentication and registration on the Series 2017 Bonds in substantially the form set forth in the bond form contained in Exhibit B hereto.

“Certificate of Determination” means the Certificate setting forth the final terms of the Series 2017 Bonds as more fully described in Sections 2.03 and 2.04 hereof

“Closing Date” means the date upon which there is an exchange of the Series 2017 Bonds for the proceeds representing the original purchase price thereof.

“Code” means the Internal Revenue Code of 1986, as amended and supplemented from time to time, and the Regulations.

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

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

“Continuing Disclosure Agreement” means any continuing disclosure agreement between the Issuer and the entity serving as disclosure agent, with respect to the Series 2017 Bonds, as amended or supplemented that is required by, and complies with, the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission.

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

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Issuer and related to the authorization, issuance, sale and delivery of the Series 2017 Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Paying Agent, Registrar and its counsel, legal fees and charges, including without limitation the fees and disbursements of Bond Counsel, counsel to the Original Purchaser and counsel to the Issuer, underwriter’s discount and expenses of the Original Purchaser, fees and disbursements of consultants and professionals, fees and charges for preparation, execution and safekeeping of the Series 2017 Bonds and any other cost, charge or fee in connection with the original issuance of the Series 2017 Bonds.

“Depository Bank” means Jefferson Security Bank or such other bank designated as such in the Certificate of Determinations, and its successors and assigns.

“Depreciation Account” means the Depreciation Account established or continued by Section 5.01 hereof.

“DTC” means the Depository Trust and Clearing 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.

“Electronic Means” means telecopy, telegraph, telex, facsimile transmission, email transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or written transmission.

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

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

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

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

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

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

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

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

“Investment Property” shall mean any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract or 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.

“Issuer” means Corporation of Shepherdstown, a municipal corporation of the State of West Virginia in Jefferson County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

“Interest Payment Date” means the interest payment dates designated in the Certificate of Determination.

“Maturity Date” means the maturity date designated in the Certificate of Determination.

“Mayor” means the Mayor of the Issuer.

“Net Proceeds” means the face amount of the Series 2017 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 2017 Bonds Reserve Account, if any. 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 the balance of the Gross Revenues, remaining after deduction of Operating Expenses, as hereinafter defined.

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

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

“Original Purchaser” means Crews & Associates, Inc., as the purchaser of the Series 2017 Bonds directly from the Issuer or, if the Issuer and such Original Purchaser do not agree to the purchase of the Series 2017 Bonds with interest rates and other terms allowable under the Act, such other person or persons, firm or firms, bank or banks, corporation or corporations or such other entity or entities as shall purchase the Series 2017 Bonds directly from the Issuer, all as determined by the Certificate of Determination.

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

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

“Participant” means one of the entities which deposit securities, directly or indirectly, in the Book-Entry System.

“Paying Agent” means the Commission, or such other entity or authority as may be designated by the Issuer.

“Principal Payment Date” means, with respect to a Bond, the date on which principal of such Bond becomes due and payable, either by maturity, redemption, acceleration or otherwise.

“Prior Bonds” means the Series 2003A Bonds, the Series 2003B Bonds and the Series 2012 Bonds.

“Prior Bonds Reserve Accounts” means the Series 2003A Bonds Reserve Account, the Series 2003B Bonds Reserve Account and the Series 2012 Bonds Reserve Account.

“Prior Bonds Sinking Funds” means the Series 2003A Bonds Sinking Fund, the Series 2003B Bonds Sinking Fund and the Series 2012 Bonds Sinking Fund.

“Prior Ordinances” means, collectively, the Series 2003 Bonds Ordinance and the Series 2012 Ordinance, being the Ordinances enacted by the Issuer authorizing the issuance of the Prior Bonds, as supplemented and amended.

“Private Business Use” means use directly or indirectly in a trade or business carried on by a natural person, including all persons “related” to such person within the meaning of Section 144(a)(3) of the Code, or in any activity carried on by a person other than a natural person, including all persons “related” to such person within the meaning of Section 144(a)(3) of the Code, excluding, however, use by a state or local governmental unit and use as a member of

the general public. All of the foregoing shall be determined in accordance with the Code, including, without limitation, giving due regard to “incidental use,” if any, of the proceeds of the issue and/or proceeds used for “qualified improvements,” if any.

“Project” means the extensions, additions, betterments and improvements to the Issuer’s existing waterworks system, including the extensions, additions, betterments and improvements described in Exhibit A hereto.

“Project Fund” means the Project Fund established by Section 5.01 hereof.

“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 Bonds to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers), at which price a substantial amount of the Series 2017 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 used 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 of the following:

- A. Cash (insured at all times by the Federal Deposit Insurance Corporation);
- B. Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S.;
- C. Obligations of Government — Sponsored Agencies that are not backed by the full faith and credit of the U.S. Government and which are rated “Aaa” by Moody’s and “AAA” by S&P or any successor thereto;
- D. Interest bearing accounts, demand deposits, including interest bearing money market accounts, time deposits, trust deposits, overnight bank deposits or certificates of deposit which, to the extent not insured by the FDIC, are fully secured by obligations of the type described in clause (B) or (C) above or which are issued by banks or trust companies, including, but not limited to the Registrar and any of its affiliates, organized under the laws of the United States of America or any state thereof, which have combined capital and surplus of at least \$25,000,000;
- E. U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of “P-1” by Moody’s and “A-1” or “A-1+” by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

F. Commercial paper which is rated at the time of purchase in the single highest classification, “P-1” by Moody’s and “A-1+” by S&P and which matures not more than 270 calendar days after the date of purchase;

G. Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P;

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

(A) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Moody’s or S&P or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the Maturity Date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the Maturity Date or dates specified in the irrevocable instructions referred to above, as appropriate;

I. Municipal obligations rated “Aaa/AAA” or general obligations of States with a rating of “A2/A” or higher by both Moody’s and S&P;

J. Agreements (including repurchase agreements) provided by an institution with a rating of at least “A2/A,” without regard to qualifier, numerical or otherwise, by Moody’s and S&P; and

K. 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.

“Rebate Fund” means the fund by that name established pursuant to Section 5.01 hereof.

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

“Recorder” means the Recorder of the Issuer.

“Redemption Date” means the date fixed for redemption of any Bonds of the Issuer called for redemption.

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

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

“Registrar” means the Registrar for the Series 2017 Bonds designated in the Certificate of Determination.

“Regulations” means temporary and permanent regulations promulgated under the Code, or any predecessor thereto.

“Reserve Accounts” means, collectively, the Prior Bonds Reserve Accounts and the Series 2017 Bonds Reserve Account.

“Reserve Requirement” means, collectively, the respective amounts required to be on deposit in the Reserve Accounts for the Series 2017 Bonds and Prior Bonds.

“Revenue Fund” means the Revenue Fund established or continued by Section 5.01 hereof.

“Securities Depository” means DTC or its nominee, and its successors and assigns, or any successor appointed under Section 3.11.

“Series 2003 Bonds” means the Series 2003A Bonds and the Series 2003B Bonds.

“Series 2003 Bonds Ordinance” means the Ordinance enacted by the Issuer authorizing the issuance of the Series 2003 Bonds, as supplemented and amended.

“Series 2003A Bonds” means the Water Revenue Bonds, Series 2003A (West Virginia DWTRF Program), of the Issuer, issued on June 13, 2003, pursuant to the Series 2003 Bonds Ordinance in the original aggregate principal amount of \$699,459.

“Series 2003A Bonds Reserve Account” means the Series 2003A Bonds Reserve Account established in the Series 2003A Bonds Sinking Fund for the Series 2003 Bonds in the Series 2003 Bonds Ordinance.

“Series 2003A Bonds Sinking Fund” means the Series 2003A Bonds Sinking Fund established for the Series 2003A Bonds in the Series 2003 Bonds Ordinance.

“Series 2003B Bonds” means the Water Revenue Bonds, Series 2003B (West Virginia DWTRF Program), of the Issuer, issued on June 13, 2003, pursuant to the Series 2003 Bonds Ordinance in the original aggregate principal amount of \$1,300,541.

“Series 2003B Bonds Reserve Account” means the Series 2003B Bonds Reserve Account established in the Series 2003B Bonds Sinking Fund for the Series 2003B Bonds in the Series 2003 Bonds Ordinance.

“Series 2003B Bonds Sinking Fund” means the Series 2003B Bonds Sinking Fund established for the Series 2003B Bonds in the Series 2003 Bonds Ordinance.

“Series 2012 Bonds” means the Water Revenue Bonds, Series 2012 (West Virginia Infrastructure Fund) of the Issuer, issued on July 19, 2012, pursuant to the Series 2012 Bonds Ordinance in the original principal amount of \$4,000,000.

“Series 2012 Bonds Ordinance” means the Ordinance enacted by the Issuer authorizing the issuance of the Series 2012 Bonds, as supplemented and amended.

“Series 2012 Bonds Reserve Account” means the Series 2012 Bonds Reserve Account established in the Series 2012 Bonds Sinking Fund for the Series 2012 Bonds in the Series 2012 Bonds Ordinance.

“Series 2012 Bonds Sinking Fund” means the Series 2012 Bonds Sinking Fund established for the Series 2012 Bonds in the Series 2012 Bonds Ordinance.

“Series 2017 Bonds” means the Water Revenue Bonds, Series 2017, of the Issuer, authorized by this Ordinance, the original aggregate principal amount of which shall be as set forth in the Certificate of Determination.

“Series 2017 Bonds Redemption Account” means the Series 2017 Bonds Redemption Account established in the Series 2017 Bonds Sinking Fund pursuant to Section 5.02 hereof.

“Series 2017 Bonds Reserve Account” means the Series 2017 Bonds Reserve Account established in the Series 2017 Bonds Sinking Fund pursuant to Section 5.02 hereof.

“Series 2017 Bonds Reserve Requirement” means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2017 Bonds in the then concurrent or any succeeding year.

“Series 2017 Bonds Sinking Fund” means the Series 2017 Bonds Sinking Fund established by Section 5.02 hereof.

“Sinking Funds” means, collectively, the Prior Bonds Sinking Funds and the Series 2017 Bonds Sinking Fund.

“State” means the State of West Virginia.

“Supplemental Resolution” means any resolution, ordinance or order of the Issuer supplementing or amending this Ordinance.

“Surplus Revenues” means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, including, without limitation, the Sinking Funds, Reserve Accounts and Depreciation Account, as further defined in Section 5.03(B) hereof.

“System” means the complete existing waterworks system now owned by the Issuer, consisting of a waterworks system in its entirety or any integral part thereof, including all mains, hydrants, meters, valves, standpipes, storage tanks, pump tanks, pumping stations, intakes, wells, impounding reservoirs, pumps, machinery, equipment, furniture, fixtures, purification plants and softening apparatus and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to a water supply system, and shall include the Project and any further extensions, additions, betterments and improvements thereto hereafter acquired or constructed for said waterworks system from any sources whatsoever, both within and without the Issuer.

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

“Tax Certificate” means the Tax Compliance Certificate of the Issuer, dated the Closing Date and included in the transcript of which this Ordinance is a part.

“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; and any requirement for execution or attestation of the Bond or any certificate or other document by the Mayor or the Recorder shall mean that such Bond, certificate or other document may be executed or attested by an Acting Mayor or Acting Recorder.

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 in effect as of the date of this Ordinance.

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

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

ARTICLE II

AUTHORIZATION OF PROJECT, APPROVAL OF DOCUMENTS AND CERTIFICATE OF DETERMINATION AND AUTHORIZATION OF EXECUTION OF DOCUMENTS

Section 2.01. Authorization of Project. There is hereby authorized and ordered the Project, at an estimated cost of not to exceed \$3,500,000 in accordance with the plans and specifications which have been prepared by the Consulting Engineers heretofore filed in the office of the Governing Body. The Costs of the Project, including without limitation the Costs of Issuance, will be paid from the proceeds of the Series 2017 Bonds or other funds of the Issuer available for such purpose. The Issuer is hereby authorized and directed to enter into the contracts with respect to the Project.

Section 2.02. Approval of Bond Purchase Agreement. The Issuer hereby approves the Bond Purchase Agreement in such form as may be approved by the Mayor, the execution of the Bond Purchase Agreement by the Mayor to be conclusive evidence of such approval, and the sale of the Series 2017 Bonds to the Original Purchaser pursuant to the Bond Purchase Agreement. The Mayor is hereby authorized and directed to execute and deliver the Bond Purchase Agreement to the Original Purchaser. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Bond Purchase Agreement.

Section 2.03. Details of the Series 2017 Bonds.

A. The Series 2017 Bonds shall contain a recital that they are issued pursuant to the Act.

B. The Series 2017 Bonds shall have the following terms within the following limits, as established in the Certificate of Determination:

1. The Series 2017 Bonds will be issued in such series and in such original principal amount not to exceed \$3,500,000 in the aggregate (the "Original Principal Amount") as determined in the Certificate of Determination.
2. The Series 2017 Bonds will be dated as determined in the Certificate of Determination. The date of the Series 2017 Bonds will not be later than December 31, 2017.
3. The Series 2017 Bonds will mature over a period of years as determined in the Certificate of Determination, in serial maturities or term maturities. The final maturity date will be not later than 32 years after the date of issuance. Term maturities may be subject to mandatory sinking fund redemption as provided in the Certificate of Determination. The maturity schedule in the Certificate of

Determination will be based on the recommendation of the Original Purchaser and the approval of the Issuer through the Certificate of Determination. The first principal payment of the Series 2017 Bonds, either by serial maturity or mandatory sinking fund redemption will not be later than the date set forth in the Certificate of Determination.

4. The Series 2017 Bonds will be fixed rate bonds and the interest rates shall be set forth in the Certificate of Determination.
5. The interest on the Series 2017 Bonds will be payable on each Interest Payment Date.
6. The Series 2017 Bonds shall be subject to redemption in the manner and under the circumstances set forth in the Certificate of Determination.

Section 2.04. Certificate of Determination for the Issuance of the Series 2017 Bonds. The Mayor shall have the power and authority to execute and deliver the Certificate of Determination, in accordance with Section 2.03, which may include, without limitation, provisions (i) fixing the series and Original Principal Amount of the Series 2017 Bonds to be issued in an aggregate amount not to exceed \$3,500,000, (ii) fixing the maturity or maturities of the Series 2017 Bonds, including the amounts of serial bonds and term bonds, provided that no such maturity shall be later than 32 years after the date of issuance, (iii) fixing the interest rates for the Series 2017 Bonds, which average coupon interest rate shall not exceed five percent (5.0%) per annum, (iv) fixing the amounts, times, terms and conditions of mandatory or optional redemption of the Series 2017 Bonds, (v) fixing the purchase price for the Series 2017 Bonds, which may include an underwriting discount and an original issue discount or premium, (vi) fixing the date or dates of the Series 2017 Bonds, (vii) fixing the interest payment dates and the principal payment date, and (viii) designating the Depository Bank if other than Jefferson Security Bank, the Registrar and providers of other services which may be deemed by the Mayor as necessary or desirable to support the Series 2017 Bonds, to the extent applicable.

Section 2.05. Approval of Other Documents. The forms, terms and provisions of the Certificate of Determination and Continuing Disclosure Agreement (collectively, the "Closing Documents"), in such forms as may be approved by the Mayor, the execution thereof by the Mayor to be conclusive evidence of such approval, providing for the issuance of the Bonds for the purposes set forth herein are in all respects approved.

The Mayor and Recorder are each authorized and empowered for and on behalf of the Issuer to execute, acknowledge and deliver each of the Closing Documents. In addition, the Mayor and Recorder upon consultation with counsel to the Issuer, are each authorized and empowered for and on behalf of the Issuer to execute, acknowledge and deliver such other agreements, documents, certificates or instruments, including without limitation the Tax Certificate, required to consummate the transactions contemplated by the Closing Documents (the "Other Transaction Documents") upon such terms and conditions as such officer shall deem

acceptable to the Issuer; and such officer's execution of each of the Other Transaction Documents shall be conclusive evidence of such officer's approval of the terms and conditions thereof. The Recorder is hereby further authorized and empowered to affix the seal of the Issuer and to attest to the same for and on behalf of the Issuer in connection with the execution of any of the Closing Documents or Other Transaction Documents.

The Mayor and Recorder are each hereby authorized to take any action, execute any document, or give any consent which may from time to time be required by the Issuer under any of the aforesaid documents or this Ordinance. Any such action taken or document executed or consent given by such officer in his or her capacity as an officer of the Issuer shall be deemed to be an act by the Issuer and any such action, execution or consent shall be conclusive evidence that the same is authorized by this Ordinance.

No recourse shall be had by any person for any claims based on any of the aforesaid documents, the Series 2017 Bonds, this Ordinance or any instruments or documents related thereto against any member of the Governing Body, or director, officer, official or employee of the Issuer alleging personal liability on the part of such person.

Section 2.06. Disclosure Documents. The counsel for the Original Purchaser shall prepare a disclosure document in the form of a preliminary official statement (the "Preliminary Official Statement"). The Issuer authorizes and directs the Mayor, after consultation with the Issuer's legal counsel, to approve the form and substance of the Preliminary Official Statement. The Issuer authorizes the Original Purchaser to use and distribute, or authorize the use and distribution of, that Preliminary Official Statement. The Issuer authorizes each of the Mayor and Recorder to prepare or cause to be prepared, and to make or authorize modifications, completions or changes of or supplements to, a final official statement for the Bonds (the "Final Official Statement" and, together with the Preliminary Official Statement, the "Official Statement") and to use and distribute, or authorize the use and distribution of, the Official Statement and any supplements in connection with the issuance of the Bonds. The Issuer further authorizes and directs each of the Mayor and Recorder of the Issuer to determine, and to certify or otherwise represent, when the Preliminary Official Statement is to be "deemed final" (except for permitted omissions) and when the Final Official Statement is a "final official statement" for purposes of Securities and Exchange Commission Rule 15c2-12 (the "SEC Rule") and to sign the Final Official Statement on behalf of the Issuer, together with certificates, statements or other documents, in connection with the finality, accuracy and completeness of the Official Statement. The signing of the Final Official Statement by the Mayor or Recorder will constitute conclusive evidence of the approval of those changes to the Final Official Statement.

ARTICLE III

THE BONDS

Section 3.01. Form and Payment of Bonds. No Bond shall be issued pursuant to this Ordinance except as provided in this Article III. Any Bonds issued pursuant to this Ordinance after the issuance of the Series 2017 Bonds, as hereinafter provided, may be issued only as fully registered Bonds without coupons, in the denomination of \$5,000 or any integral multiple thereof for any year of maturity. Bonds shall bear interest from the Interest Payment Date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable Interest Payment Date or on such Interest Payment Date, from such Interest Payment Date or, if no interest on such Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Bonds shall be in default, Bonds issued in exchange for Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Bonds surrendered.

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

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

Section 3.02. Execution of Bonds. The Series 2017 Bonds shall be executed in the name of the Issuer by the Mayor, by his or her 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 Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.03. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Ordinance unless and until the

Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Exhibit B — BOND FORM 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 Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Ordinance. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Registrar if signed by an authorized officer of the Registrar but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

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

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

In all cases in which the privilege of transferring or exchanging Series 2017 Bonds is exercised, Bonds shall be delivered in accordance with the provisions of this Ordinance. All Bonds surrendered in any such transfer or exchange shall forthwith be canceled by the Registrar. Transfers of Bonds, the initial exchange of Bonds and exchanges of Bonds in the event of partial redemption of fully registered Bonds shall be made by the Registrar without charge to the Holder or the transferee thereof, except as provided below. For other exchanges of Bonds, the Registrar may impose a service charge. For every such transfer or exchange of bonds, the Registrar may make a charge sufficient to reimburse its office for any tax or other governmental charge required to be paid with respect to such transfer or exchange as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Registrar shall not be obliged to make any such transfer or exchange of Bonds that have been called for redemption.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2017 Bonds 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 an upon surrender and cancellation of, such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, an upon the Holder's furnishing the Issuer and Registrar proof of his ownership thereof and that said Bond has been destroyed, stolen or lost and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer or the Registrar may incur. The name of the Bondholder listed in the Bond Register shall constitute proof of ownership. All Bonds so surrendered shall be submitted to and canceled by the Registrar, and evidence of such cancellations shall be given to 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 duplicated Bonds shall be entitled to equal and proportionate benefits and rights as to lien and source of and security for payment from the Revenues pledged herein with all other Bonds issued hereunder.

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

A. The amounts to be deposited, apportioned and set apart by the Issuer from the Revenue Fund and into the Series 2017 Bonds Redemption Account in accordance with Subsection 5.03A(3) shall include (after credit as provided below) on the first of each month, beginning on the first day of that month with is 12 months prior to the first mandatory Redemption Date of said Term Bonds, a sum equal to $1/12^{\text{th}}$ 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 Certificate of Determination relating thereto.

B. At its option, to be exercised on or before the 60th day next preceding any such mandatory Redemption Date, the Issuer may (a) deliver to the Registrar for cancellation such Term Bonds in any aggregate principal amount desired or (b) receive a credit in respect of its mandatory redemption obligation for any such Term Bonds which prior to said date have been redeemed (otherwise than pursuant to this section) and canceled by the Registrar and not theretofore applied as a credit against any such mandatory redemption obligation. Each Term Bond so delivered or previously redeemed shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and Term Bonds delivered in excess of such mandatory redemption obligation shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

C. In the event the Issuer determines to exercise the option in Section 3.06B above, the Issuer shall on or before the 60th day next preceding each mandatory Redemption Date furnish the Registrar and the Bond Commission with its certificate indicating whether and to what extent the provisions of (a) and (b) of the preceding paragraph are to be utilized with respect to such mandatory redemption payment and stating, in the case of the credit provided for in (b) of the preceding paragraph, that such credit has not theretofore been applied against any mandatory redemption obligation.

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

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

Section 3.07. Notice of Redemption. Unless waived by any Holder of the Series 2017 Bonds to be redeemed, official notice of any redemption shall be given by the Paying Agent on behalf of the Issuer by electronic delivery to DTC (or by such other means as is acceptable to DTC) or by mailing a copy of an official redemption notice by regular mail at least 30 days and not more than 60 days prior to the date fixed for redemption to 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. A copy of such notice of redemption shall also be mailed by the Paying Agent to the Registrar.

So long as DTC (as CEDE & CO.) is the Registered Owner of the Series 2017 Bonds, the Paying Agent shall send all notices of redemption to DTC by electronic delivery or any other means acceptable to DTC and shall verify that DTC has received notice. The Issuer shall insure that the notice is provided as required in the Continuing Disclosure Agreement.

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 amount) of the Bonds to be redeemed,

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

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

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

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

Official notice of redemption having been given as aforesaid, the 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) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such bonds shall be paid by the Registrar at the Redemption Price. Installments of interest due on or prior to the Redemption Date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of the same maturity in the amount of the unredeemed principal of such Bond. All Bonds which have been redeemed shall be canceled and destroyed by the 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 Bonds, and the failure to mail or otherwise send such notice shall not affect the validity of proceedings for the redemption of any portion of Bonds for which there was no such failure.

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

Section 3.09. Temporary Bonds. Until Bonds of any series in definitive form are ready for delivery, the Issuer may execute and the Registrar shall authenticate, register, if applicable, and deliver, subject to the same provisions, limitations and conditions set forth in this Article III, one or more printed lithographed or typewritten Bonds in temporary form, substantially in the form of the definitive Bonds of such series, with appropriate omissions, variations and insertions,

and in authorized denominations. Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the lien and benefit created under this Ordinance. Upon the presentation and surrender of any Bond or Bonds in temporary form, the Issuer shall, without unreasonable delay, prepare, execute and deliver to the Registrar, and the Registrar shall authenticate, registers, if applicable, and deliver, in exchange therefor, a Bond or Bonds in definitive form. Such exchange shall be made by the Registrar without making any charge therefor to the Holder of such Bond in temporary form.

Section 3.10. Authorization of Series 2017 Bonds. For the purposes of paying all or a portion of the Costs of the Project, funding the Series 2017 Bonds Reserve Account and paying all or a portion of the Costs of Issuance and other costs in connection therewith, there shall be issued the Series 2017 Bonds of the Issuer, in an aggregate principal amount of not more than \$3,500,000. The Series 2017 Bonds shall be designated "Water Revenue Bonds, Series 2017" and shall be issued in fully registered form, in Authorized Denominations for any year of maturity, not exceeding the aggregate principal amount of Series 2017 Bonds maturing in the year of maturity for which the denomination is to be specified. The Series 2017 Bonds shall be numbered from R-1 consecutively upward. The Series 2017 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 or in the Certificate of Determination.

Section 3.11. Book Entry System for Series 2017 Bonds. The Series 2017 Bonds shall be initially issued in the name of Cede & Co., as nominee for DTC as the initial Securities Depository and registered owner of such Bonds, and held in the custody of the Securities Depository. A single certificate will be issued and delivered to the Securities Depository, or a custodian thereof, for each maturity of the Series 2017 Bonds. The Beneficial Owners will not receive physical delivery of Bond certificates except as provided herein. For so long as the Securities Depository shall continue to serve as securities depository for such Bonds as provided herein, all transfers of beneficial ownership interests will be made by book-entry only on the records of the Securities Depository, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of such Bonds is to receive, hold or deliver any Bond certificate. The Issuer and Paying Agent will recognize the Securities Depository or its nominee as the Bondholder of such Bonds for all purposes, including payment, notices and voting.

The Issuer and the Paying Agent covenant and agree, so long as DTC shall continue to serve as Securities Depository for the Series 2017 Bonds, to meet the requirements of DTC with respect to required notices and other provisions of any letter of representations executed with respect to, or any blanket letter of representations applicable to, the Series 2017 Bonds.

The Issuer and the Paying Agent may conclusively rely upon (i) a certificate of the Securities Depository as to the identity of the Participants in the Book-Entry-System and (ii) a certificate of any such Participant as to the identity of, and the respective principal amount of Series 2017 Bonds beneficially owned by, the Beneficial Owners.

Whenever, during the term of the Series 2017 Bonds, the beneficial ownership thereof is determined by a book-entry at the Securities Depository, the requirements in this Ordinance of holding, delivering or transferring Series 2017 Bonds shall be deemed modified to require the appropriate person to meet the requirements of the Securities Depository as to registering or registering the transfer of the book-entry to produce the same effect. Any provision hereof permitting or requiring delivery of Series 2017 Bonds shall, while the Series 2017 Bonds are in a Book-Entry System, be satisfied by the notation on the books of the Securities Depository in accordance with applicable law.

The Paying Agent and the Issuer may from time to time appoint a successor Securities Depository and enter into an agreement with such successor Securities Depository to establish procedures with respect to the Series 2017 Bonds consistent with current industry practice. Any successor Securities Depository shall be a “clearing agency” registered under Section 17A of the Securities Exchange Act of 1934, as amended.

Neither the Issuer nor the Paying Agent will have any responsibility or obligation to any Securities Depository, any Participants in the Book-Entry System or the Beneficial Owners with respect to (i) the accuracy of any records maintained by the Securities Depository or any Participant; (ii) the payment by the Securities Depository or by any Participant of any amount due to any Beneficial Owner in respect of the principal amount or redemption or Purchase Price of, or interest on, any Series 2017 Bonds; (iii) the delivery of any notice by the Securities Depository or any Participant; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2017 Bonds; or (v) any other action taken by the Securities Depository or any Participant.

Bond certificates are required to be delivered to and registered in the name of the Beneficial Owner if the Securities Depository determines to discontinue providing its service with respect to the Series 2017 Bonds and no successor Securities Depository is appointed as described above. Such a determination may be made at any time by giving 30 days’ notice to the Issuer, and the Paying Agent and discharging its responsibilities with respect thereto under applicable law.

The Paying Agent is hereby authorized to make such changes to the form of the Bond attached hereto as Exhibit B which are necessary or appropriate to reflect whether the Book-Entry System is not in effect, that a successor Securities Depository has been appointed.

If at any time, the Securities Depository ceases to hold the Series 2017 Bonds, all references herein to the Securities Depository shall be of no further force or effect.

Section 3.12. Delivery of 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:

(A) If other than DTC (as CEDE & CO.), 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;

(B) 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 the Original Purchaser;

(C) Copy of this Ordinance certified by the Recorder;

(D) Copy of the Certificate of Determination;

(E) The unqualified approving opinion upon the Series 2017 Bonds by Bond Counsel; and

(F) A copy of such documents, certifications and verifications as the Original Purchaser may reasonably require.

Section 3.13. Form of Bonds. The definitive Series 2017 Bonds shall be in substantially the form set forth in Exhibit B — BOND FORM attached hereto and incorporated herein by reference, with such necessary and appropriate omissions, insertions and variation 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.

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

A. All interest accrued on the Series 2017 Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2017 Bonds Sinking Fund and applied to payment of interest on the Series 2017 Bonds on the first Interest Payment Date.

B. An amount of the proceeds of the Series 2017 Bonds equal to the Series 2017 Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 2017 Bonds Reserve Account.

C. The balance of the proceeds of the Series 2017 Bonds shall be deposited with the Depository Bank in the Project Fund and shall be drawn out, used and applied by the Issuer solely to pay Costs of the Project, including without limitation Costs of Issuance of the Series 2017 Bonds, at the written direction of the Issuer. All such Costs of the Project shall be paid within two (2) years of the Closing Date. Moneys not to be applied immediately to pay such Costs of the Project may be invested in accordance with this Ordinance, subject however, to applicable yield restrictions as may be in effect under the Code. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within two (2) years after the Closing Date, such unapplied proceeds shall be transferred by the Issuer to the Series 2017 Bonds Sinking Fund and applied to the next ensuing payment(s) of principal of the Series 2017 Bonds. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such money until so applied in favor of the Holders of the Series 2017 Bonds.

Section 3.15. Designation of Bonds as “Qualified Tax-Exempt Obligations”. The Issuer hereby designates the Series 2017 Bonds as “qualified tax-exempt obligations” for purposes of

Section 265(b)(3)(B) of the Code and covenants that the Series 2017 Bonds do not constitute private activity bonds as defined in Section 141 of the Code, and 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), including the Series 2017 Bonds, have been or shall be issued by the Issuer, including all subordinate entities of the Issuer, during the calendar year 2017.

Section 3.16. Bonds not to be Indebtedness of the Issuer. The Series 2017 Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues, and upon the payment in full of the Series 2003 Bonds solely from the Gross Revenues, derived from the operation of the System as herein provided and amounts, if any, in the Series 2017 Bonds Sinking Fund, the Series 2017 Bonds Reserve Account and the Series 2017 Bonds Redemption Account. No holder or holders of any of the Series 2017 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2017 Bonds or the interest thereon.

Section 3.17. Bonds Secured by Pledge of Net Revenues; Lien Positions with Respect to Prior Bonds; Series 2012 Bonds and Series 2017 Bonds to be Secured by Gross Revenues after Payment of Series 2003 Bonds. The payment of the debt service of all the Series 2017 Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System, on a parity with the lien on the Net Revenues in favor of the Holders of the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Series 2017 Bonds and the Prior Bonds and to make the payments into all funds and accounts either existing or hereinafter established are hereby irrevocably pledged to the payment of the principal of and interest on the Series 2017 Bonds and Prior Bonds as the same become due. Notwithstanding the foregoing, upon the payment in full of the Series 2003 Bonds, the payment of the debt service of all the Series 2012 Bonds and the Series 2017 Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Gross Revenues derived from the System.

Section 3.18. Series 2017 Bonds are Issued as Parity Bonds With Respect to Prior Bonds. The Series 2017 Bonds are issued as and shall constitute parity bonds with respect to the Prior Bonds. The Issuer has received or will receive prior to the issuance of the Series 2017 Bonds the consent of the Holder of all of the Outstanding Prior Bonds for the issuance of the Series 2017 Bonds on a parity with the Prior Bonds.

ARTICLE IV
[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

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

- A. Revenue Fund (created or continued by the Prior Ordinances);
- B. Project Fund; and
- C. Rebate Fund.

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

- A. Depreciation Account (created or continued by the Prior Ordinances);
- B. Series 2003A Bonds Sinking Fund (created or continued by the Prior Ordinances);
- C. Within the Series 2003A Bonds Sinking Fund, the Series 2003A Bonds Reserve Account (created or continued by the Prior Ordinances);
- D. Series 2003B Bonds Sinking Fund (created or continued by the Prior Ordinances);
- E. Within the Series 2003B Bonds Sinking Fund, the Series 2003B Bonds Reserve Account (created or continued by the Prior Ordinances);
- F. Series 2012 Bonds Sinking Fund (created or continued by the Prior Ordinances);
- G. Within the Series 2012 Bonds Sinking Fund, the Series 2012 Bonds Reserve Account (created or continued by the Prior Ordinances);
- H. Series 2017 Bonds Sinking Fund;
- I. Within the Series 2017 Bonds Sinking Fund, the Series 2017 Bonds Reserve Account; and
- J. Within the Series 2017 Bonds Sinking Fund, the Series 2017 Bonds Redemption Account.

Section 5.03. System Revenues; Flow of Funds.

A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. All revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority, provided that, following payment in full of the Series 2003 Bonds, the flow of funds shall be adjusted to reflect the then resulting Gross Revenues pledge:

1. The Issuer shall first each month pay from the monies in the Revenue Fund all current Operating Expenses of the System.
2. The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Commission (i) for deposit in the Series 2003A Bonds Sinking Fund, the amount required by the Series 2003 Bonds Ordinance for payment of interest on the Series 2003A Bonds; (ii) for deposit in the Series 2003B Bonds Sinking Fund, the amount required by the Series 2003 Bonds Ordinance for payment of interest on the Series 2003B Bonds; (iii) for deposit in the Series 2012 Bonds Sinking Fund, the amount required by the Series 2012 Bond Ordinance for the payment of interest on the Series 2012 Bonds; and (iv) commencing 6 month prior to the first Interest Payment Date on the Series 2017 Bonds, for deposit in the Series 2017 Bonds Sinking Fund, a sum equal to $1/6^{\text{th}}$ of the amount of interest which will become due on the Series 2017 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 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 Bonds Sinking Fund shall be reduced by the amount of accrued interest, if any, on the Series 2017 Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2017 Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2017 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 2003A Bonds Sinking Fund, the amount required by the Series 2003 Bonds Ordinance for payment of principal of the Series 2003A Bonds; (ii) for deposit in the Series 2003B Bonds Sinking Fund, the amount required by the Series 2003 Bonds Ordinance for payment of principal of the Series 2003B Bonds; (iii) for deposit in the Series 2012 Bonds Sinking Fund, the amount required by the Series 2012 Bond Ordinance for the payment of principal of the Series 2012 Bonds; and (iv) commencing 12 months prior to the first Principal Payment Date or mandatory Redemption Date of the Series 2017 Bonds for deposit in the Series 2017 Bonds Sinking Fund, and in the Series 2017 Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed, a sum equal to $1/12^{\text{th}}$ of the amount of principal which will mature or be redeemed and become due on the Series 2017 Bonds on the next ensuing Principal Payment Date or mandatory Redemption Date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2017 Bonds Sinking Fund and the next ensuing annual Principal Payment Date or mandatory Redemption Date is less than or greater than 12 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing annual Principal Payment Date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2017 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) for deposit in the Series 2003A Bonds Reserve Account the amount required by the Series 2003 Bonds Ordinance to be deposited therein; (ii) for deposit in the Series 2003B Bonds Reserve Account the amount required by the Series 2003 Bonds Ordinance to be deposited therein; (iii) for deposit in the Series 2012 Bonds Reserve Account the amount required by the Series 2012 Bonds Ordinance to be deposited therein; and (iv) for deposit in the Series 2017 Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the Series 2017 Bonds Reserve Account below the Series 2017 Bonds Reserve Requirement or any withdrawal from the Series 2017 Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 2017 Bonds Reserve Account results in a determination that the amount of moneys and the value of the Qualified Investments deposited to the credit of the Series 2017 Bonds Reserve Requirement is less than

the Series 2017 Bonds Reserve Requirement, or (b) any amount is withdrawn from the Series 2017 Bonds Reserve Account for deposit into the Series 2017 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 on deposit in the Series 2017 Bonds Reserve Account to an amount equal to the Series 2017 Bonds Reserve Requirement to the full extent that such Net Revenues are available; provided, that no payments shall be required to be made into the Series 2017 Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2017 Bonds Reserve Requirement.

5. The Issuer shall next, from the moneys remaining in the Revenue Fund, on the first day of each month, transfer to the Depreciation Account a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any reserve account. Moneys in the Depreciation Account shall be used first to make up deficiencies for monthly payments of the principal of and interest on the Prior Bonds and/or the Series 2017 Bonds as the same become due, and next to restore to the Series 2003A Bonds Reserve Account, the Series 2003B Bonds Reserve Account, the Series 2012 Bonds Reserve Account and/or the Series 2017 Bonds Reserve Account any sum or sums transferred therefrom, and provided that in the event there are not sufficient moneys in the Depreciation Account to make the transfers required by this sentence, such transfers shall be made on a pro rata basis. Thereafter, and provided that payments into the Series 2003A Bonds Reserve Account, the Series 2003B Bonds Reserve Account, the Series 2012 Bonds Reserve Account and the Series 2017 Bonds Reserve Account are current and in accordance with the foregoing provisions, moneys in the Depreciation Account may be withdrawn by the Issuer and used for extraordinary repairs and for capital replacements, improvements or additions and capital equipment for the System, or any part thereof.

Moneys in the Series 2017 Bonds Sinking Fund and Series 2017 Bonds Redemption Account shall be used only for the purposes of paying principal of and interest on the Series 2017 Bonds as the same shall become due. Moneys in the Series 2017 Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 2017 Bonds, as the same shall come due, when other moneys in the Series 2017 Bond Sinking Fund and Series 2017 Bonds Redemption Account are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 2017 Bonds Sinking Fund, Series 2017 Bonds Redemption Account and the Series 2017 Bonds Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall,

during construction of the Project, be deposited in the Project Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment due on the Series 2017 Bonds and then to the next ensuing principal payment due thereon, all on a pro rata basis.

Any withdrawals from the Series 2017 Bonds Reserve Account which result in a reduction in the balance of the respective Series 2017 Bonds Reserve Account to below the Series 2017 Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full in the priority set forth above.

As and when additional Bonds ranking on a parity with the Series 2017 Bonds are issued, provision shall be made for additional payments into the respective sinking fund sufficient to pay the interest on such additional Parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the respective reserve account in an amount equal to the requirement therefor.

The Issuer shall not be required to make any further payments into the Series 2017 Bonds Sinking Fund, or into the Series 2017 Bonds Redemption Account and Series 2017 Bonds Reserve Account therein when the aggregate amount of funds therein are at least equal to the respective aggregate principal amount of the respective Series 2017 Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the maturity thereof.

Principal, interest or reserve payments, whether made for a deficiency or otherwise shall be made on a parity and pro rata with respect to the Prior Bonds and the Series 2017 Bonds in accordance with the respective principal amounts then Outstanding.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2017 Bonds Sinking Fund, Series 2017 Bonds Redemption Account and the Series 2017 Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. Moneys in the Series 2017 Bonds Sinking Fund, the Series 2017 Bonds Redemption Account, the Series 2017 Bonds Reserve Account and the Depreciation Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2017 Bonds Sinking Fund, including the Series 2017 Bonds Redemption Account and the Series 2017 Bonds Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2017 Bonds.

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid on the Prior Bonds and into the Series 2017 Sinking Fund, including the Series 2017 Bonds Redemption Account and the Series 2017 Bonds Reserve Account therein, and the Depreciation Account during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

C. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month), deposit with the Commission the required interest, principal and reserve account payments with respect to the Series 2017 Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited.

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

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

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

G. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this Section 5.03, and the Gross Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

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

ARTICLE VI

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01. Application of Bond Proceeds. There is hereby created and established with the Depository Bank, to be held by the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and from all other funds or accounts of the Issuer, the Project Fund. The moneys derived from the sale of the Series 2017 Bonds shall be deposited with the Depository Bank in the Project Fund and applied solely to the payment of the Costs of Project, including without limitation the Costs of Issuance and related costs, and until so expended, are hereby pledged as additional security for the Series 2017 Bonds.

After completion of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 2017 Bonds shall be deposited in the Series 2017 Bonds Sinking Fund and applied to the next ensuing payment(s) of principal of the Series 2017 Bonds.

Section 6.02. Disbursements From the Project Fund. Disbursements from the Project Fund shall be made only after submission to the Depository Bank of the following:

(1) a completed and signed "Payment Requisition Form," in such form as may be approved by the Depository Bank, and

(2) a certificate, signed by an Authorized Officer, stating that:

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

(B) Each item for which the payment is proposed to be made is or was necessary in connection with the Project and constitutes a Cost of the Project, including without limitation the Costs of Issuance and related costs;

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

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

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

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2017 Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of said Series 2017 Bonds or the interest thereon is Outstanding and unpaid. Further, all the covenants, agreements and provisions of the respective Prior Ordinances shall remain in full force and effect so long as any of the respective Prior Bonds remain Outstanding.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2017 Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any Series 2017 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Series 2017 Bonds or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues; Lien Position with Respect to Prior Bonds; Series 2012 Bonds and Series 2017 Bonds to be Secured by Gross Revenues after Payment of Series 2003 Bonds. The payment of the debt service 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, on parity with the lien on said Net Revenues in favor of the Holders of the Prior Bonds. The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Prior Bonds and the Series 2017 Bonds and to make the payments into the sinking funds, including the reserve accounts therein, and all other payments provided for in the Bond Legislation and the Prior Ordinances are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Series 2017 Bonds and the Prior Bonds as the same become due, and for the other purposes provided in the Bond Legislation. Notwithstanding the foregoing, upon the payment in full of the Series 2003 Bonds, the payment of the debt service of the Series 2012 Bonds and the Series 2017 Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Gross Revenues derived from the operation of the System.

Section 7.04. Initial Schedule of Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges with all requisite appeal periods having expired without successful appeal. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in the Ordinance enacted by the Issuer on June 14, 2016, and are hereby ratified, and which rates are incorporated herein by reference as a part hereof.

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

Section 7.05. Sale of the System. So long as the Prior Bonds are Outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, or any part thereof, except as provided in the respective Prior Ordinances. Additionally, so long as the Series 2017 Bonds are Outstanding and except as otherwise required by law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Series 2017 Bonds Outstanding in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall immediately be remitted to the Commission for deposit in the Series 2003A Bonds Sinking Fund, the Series 2003B Bonds Sinking Fund, the Series 2012 Bonds Sinking Fund and the Series 2017 Bonds Sinking Fund, respectively, pro rata, with respect to the principal amount of each of the Prior Bonds and the Series 2017 Bonds then Outstanding, and the Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest on the Series 2017 Bonds and Prior Bonds in such manner. Any balance remaining after the payment of all the Series 2017 Bonds and Prior Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

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

this Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of \$200,000 and insufficient to pay the Series 2017 Bonds and Prior Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of a majority of the principal amount the Series 2017 Bonds and Prior Bonds then outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Series 2017 Bonds and Prior Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and in Section 7.07, so long as any of the Series 2017 Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2017 Bonds. All obligations issued by the Issuer after the issuance of the Series 2017 Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Series 2017 Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the Sinking Funds, Reserve Accounts and the Depreciation Account at the time of the issuance of such subordinate obligations have been made and are current. Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Series 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 Bond Legislation, or upon the System or any part thereof.

Section 7.07. Parity Bonds. So long as any of the Prior Bonds are Outstanding, the limitations on the issuance of parity obligations set forth in the respective Prior Ordinances shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2017 Bonds pursuant to this Bond Legislation, except under the conditions and in the manner herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2017 Bonds.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the design, construction or acquisition of extensions, improvements or betterments to the System or refunding all or a portion of one or more series of the Prior Bonds, the Series 2017 Bonds issued pursuant hereto or one or more subsequent series of Parity Bonds, or both such purposes.

No Parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Recorder a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within

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

- (1) The Prior Bonds and Series 2017 Bonds then Outstanding;
- (2) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Ordinance then Outstanding; and
- (3) The Parity Bonds then proposed to be issued.

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

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

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Series 2017 Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section. Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of the same series. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond Legislation or separate ordinance authorizing said Parity Bonds required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior lien of the Series 2017 Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 2017 Bonds.

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in this Bond Legislation and the Prior Ordinances with respect to the Series 2017 Bonds and Prior Bonds then Outstanding, and any other payments provided for in this Bond Legislation, shall have been made in full as required to the date of delivery of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Bond Legislation.

Provided, however, if the most recent audit by the Independent Certified Public Accountants for the Issuer for the Fiscal Year immediately preceding the proposed issuance of additional Parity Bonds states that the Issuer was not in compliance with the rate covenant in Section 7.09 of this Bond Legislation for the year being audited and the Issuer has enacted a rate ordinance sufficient to comply with Section 7.09, 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 7.07.

Any certifications requiring computations establishing that debt service coverage is sufficient to support the issuance of additional Parity Bonds or that requisite debt service savings are available shall be made by an independent certified public accountant or firm of independent certified public accountants.

No additional bonds, notes, certificates, contracts or any other obligations shall be issued by the Issuer unless no Event of Default shall have occurred and be continuing with respect to the Bonds.

Section 7.08. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds 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, upon request by the Original Purchaser, file with the Original Purchaser, 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 statement of net position, statement of revenues and expenses, and statement of cash flows, as prescribed by generally accepted accounting principles.

The Issuer shall also, upon request by the Original Purchaser, file with the Original Purchaser, and mail to any Bondholder requesting the same, an annual report containing the following:

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

(B) A statement of account balances in all funds and accounts provided for herein 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 Independent Certified Public Accountants, shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of Bonds issued pursuant to this Ordinance and, upon request by the Original Purchaser, shall file said report with the Original Purchaser.

Section 7.09. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Recorder, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2017 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2017 Bonds, including without limitation the Prior Bonds.

In the computation provided in the above paragraph, the revenues of the System shall include increased revenues estimated to be derived from any improvements under construction, and any change in rates adopted by the Issuer in accordance with then applicable law, the time for appeal of which shall have expired (without successful appeal), whether or not such approved rates are being charged and collected by the Issuer.

The Issuer hereby covenants to commence adoption of such resolutions or ordinances as shall be required to increase the rates and charges for the services and facilities of the System within 120 days following a determination of the Independent Certified Public Accountants that less than the above-required coverage exists or in the event that the annual audit report shows less than the above-required coverage, such increase to provide rates and charges sufficient to produce such required coverage.

Section 7.10. Operating Budget. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year. The Issuer, with the approval of the Governing Body, may amend the budget during the subject Fiscal Year provided that the budget remains balanced after such amendment. After the adoption of any such amendment, the budget, as amended, shall be the budget of the Issuer for the balance of the subject Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a registered professional engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. The Issuer shall mail copies of such annual budget, any amendments thereto and all resolutions authorizing increased expenditures for operation and maintenance to the Original Purchaser if requested by the Original Purchaser in writing to do so and to any Holder of any Bonds who shall file his or her address with the Issuer and request in writing that copies of all such budgets, any amendments thereto and resolutions be furnished him or her and shall make available such budgets, any amendments thereto and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

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

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

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 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 to all users of the services of the System delinquent in payment of charges for the service of the System and will not restore such services 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

the Issuer shall take all further actions to enforce collections to the maximum extent permitted by law.

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

Section 7.14. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as any of the Series 2017 Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

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

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

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

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

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

(6) FIDELITY BONDS, will be provided for every officer, 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.

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

Section 7.15. Connections. To the extent permitted by the laws of the State and rules and regulations of the Public Service Commission of West Virginia, the Issuer shall require every owner, tenant or occupant of any house, dwelling or building intended to be served by the System to connect thereto.

Section 7.16. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 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 to any property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) that, in the event that both (A) in excess of 5% of the Net Proceeds of the Series 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 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 (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 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 that 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.

D. FURTHER ACTIONS. The Issuer will take any and 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, or fail to take any actions, the result of which would adversely affect such exclusion.

Section 7.17. 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 delivery of the Series 2017 Bonds and shall be for the equal benefit of all Holders of each respective series of Series 2017 Bonds; provided, however, that the statutory mortgage lien in favor of the Holders of the Series 2017 Bonds shall be on parity with the statutory mortgage lien in favor of the Holders of the Prior Bonds.

ARTICLE VIII

INVESTMENTS; NON-ARBITRAGE; REBATES OF EXCESS INVESTMENT EARNINGS

Section 8.01. Investments. The Issuer shall invest and reinvest, and shall instruct the Commission and the Depository Bank to invest and reinvest, any moneys held as a part of the funds and accounts created by this Ordinance in Qualified Investments to the fullest extent possible under applicable laws, this Ordinance, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this section.

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

The following specific provisions shall apply with respect to any investments made under this section:

A. Qualified Investments acquired for the Series 2017 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 Commission to semiannually transfer from the Series 2017 Bonds Reserve Account, the Series 2017 Bonds Redemption Account and the Series 2017 Bonds Sinking Fund any earnings on the moneys deposited therein to the Issuer and such amounts shall, during construction of the Project, be deposited in the Project Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment due on the Series 2017 Bonds and then to the next ensuing principal payment due thereon, all on a pro rata basis; provided, however, that there shall at all times remain on deposit in the Series 2017 Bonds Reserve Account an amount at least equal to the Series 2017 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 Bonds Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2017 Bonds Reserve Account shall, at any time, be less than the applicable requirement therefore and such deficiency shall be made up from the first available Net Revenues in the order set forth in Section 5.03 hereof.

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

E. Notwithstanding the foregoing, all moneys deposited in the Series 2017 Bonds Sinking Fund, the Series 2017 Bonds Reserve Account and the Series 2017 Bonds Redemption Account may be invested by the 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 8.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of Series 2017 Bonds in such manner and to such extent as may be necessary, so that the Series 2017 Bonds will not constitute “arbitrage bonds” under Section 148 of the Code and Regulations prescribed thereunder, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a federal information return with respect to the Series 2017 Bonds) so that the interest on the Series 2017 Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.03. Tax Certificate and Rebate. A. The Issuer shall deliver the Tax Certificate or other similar document relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the Series 2017 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.

B. Unless excepted 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 from 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 8.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 8.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and the required 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 Series 2017 Bonds from gross income for federal income tax purposes.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an “Event of Default” with respect to the Series 2017 Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest on any of the Series 2017 Bond; or

(2) If default occurs in the Issuer’s observance of any of the covenants, agreements or conditions on its part relating to the Series 2017 Bonds, set forth in this Bond Legislation, any supplemental resolution or in the Series 2017 Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, the Registrar, the Paying Agent or a Holder of a Bond; or

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

(4) If a default occurs under the Prior Bonds or the Prior Ordinances.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Holders of the Bonds, including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Holders of the Bonds, and (v) by action at law or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners; provided that all rights and remedies of the Holders of the Series 2017 Bonds shall be on a parity with the Holders of the Prior Bonds.

No remedy by the terms of this Bond Legislature conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Bondholders hereunder or now or hereafter existing at law or by statute. All rights and remedies of the Holders of the Series 2017 Bonds shall be on a parity with those of the Holders of the Prior Bonds.

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

No waiver of any default or Event of Default hereunder by the Bondholders shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereto.

Section 9.03. Appointment of Receiver. Any Holder of a Bond, may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds, any Holder of a Bond, shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project on behalf of the Issuer with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other avenues in conformity with the provisions of this Bond Legislation and the Act.

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

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

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Holders of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds, and the curing and

making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

Section 9.04. Restoration of Issuer and Bondholder. In case any Bondholder shall have proceeded to enforce any right under this Ordinance by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Issuer and such Bondholder shall be restored to their former positions and rights hereunder, and all rights and remedies of such Bondholder shall continue as if no such proceedings had been taken.

ARTICLE X

DEFEASANCE; DISCHARGE OF PLEDGE OF ORDINANCE

Section 10.01. Defeasance: Discharge of Pledge of Ordinance. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 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, then this Ordinance and the pledges of the Net Revenues or Gross Revenues, as the case may be, and other moneys and securities pledged hereunder, and all covenants, agreements and other obligations of the Issuer on behalf of the Holders of the Series 2017 Bonds made hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied, except as may be necessary to assure the exclusion of interest on the Series 2017 Bonds from gross income for federal income tax purposes.

The Series 2017 Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on the Series 2017 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 Commission or an escrow trustee either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Commission or said escrow trustee at the same or earlier time shall be sufficient, to pay when due the principal of, any redemption premium on and interest due and to become due on the Series 2017 Bonds on and prior to the Maturity Date thereof, or if the Issuer irrevocably determines to redeem any of the Series 2017 Bonds prior to the maturity thereof, on and prior to said Redemption Date. Neither securities nor moneys deposited with the Commission or an escrow trustee pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and redemption premium, if any, and interest on the Series 2017 Bonds; provided, that any cash received from such principal, redemption premium, if any, and interest payments on such securities deposited with the Commission or said escrow trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of and redemption premium, if any, and interest to become due on the Series 2017 Bonds on and prior to such Maturity or Redemption Dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or said escrow trustee, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations, as such term is limited by the provisions in Section 1.04 hereof or such additional securities as shall be set forth in the Certificate of Determination.

ARTICLE XI

REGISTRAR AND PAYING AGENT

Section 11.01. Agreement with Registrar. The Issuer is hereby authorized and directed to enter into an agreement with the Registrar in such form as may be approved by the Mayor, the execution of such agreement by the Mayor to be conclusive evidence of such approval.

Section 11.02. Responsibilities of Registrar. The recitals of fact in the Series 2017 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 and Registration 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 11.01.

Section 11.03. Evidence on Which Registrar May Act. Except as otherwise provided by Section 12.02, the Registrar shall be protected in acting upon any notice, resolution, request, consent, order, certificate, opinion or other document believed by it to be genuine and to have been signed or presented by the proper party or parties. Whenever the Registrar shall deem it necessary or desirable that a fact or matter be proved or established prior to taking or suffering any action, such fact or matter, unless other evidence is specifically prescribed, may be deemed to be conclusively proved and established by a certificate of an Authorized Officer of the Issuer, but in its discretion the Registrar may instead accept other evidence of such fact or matter.

Section 11.04. Compensation and Expenses. The Issuer shall pay to the Registrar from time to time reasonable compensation for all services, including the transfer of registration of Bonds, the first exchange of Bonds and the exchange of Bonds in the event of partial redemption, incurred in the performance of its duties hereunder.

Section 11.05. 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 11.06. Resignation of Registrar. The Registrar may at any time resign and be discharged of its duties and obligations under this Ordinance by giving not less than 60 days' written notice by mail or Electronic Means (other than telephonic communication) to the Issuer and mailing such notice to each Bondholder in the event all Series 2017 Bonds are fully

registered, specifying the date when such resignation shall take effect, within 20 days after the giving of such written notice. A copy of such notice shall also be mailed or sent by Electronic Means to each owner of a fully registered Bond. 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 even such resignation shall take effect immediately.

Section 11.07. Removal. The Registrar may be removed at any time by the Issuer or by the Holders of a majority in principal amount of the Series 2017 Bonds then Outstanding by an instrument or concurrent instruments in writing signed and duly acknowledged by the Issuer or by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer, as the case may be. Copies of each such instrument shall be delivered by the Issuer to the Registrar.

Section 11.08. Appointment of Successor. In case at any time the Registrar shall resign or shall be removed or shall become incapable or 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 in the event all Series 2017 Bonds are fully registered notice of any such appointment within 20 days after the effective date of such appointment. A copy of such notice shall also be mailed to each owner of a fully registered Bond or a coupon Bond registered as to principal (other than to bearer). Any successor Registrar appointed by the Issuer shall, immediately and without further act, be superseded by a Registrar appointed by such Bondholders. If in a proper case no appointment of a successor Registrar shall be made within 45 days after the Registrar shall have given to the Issuer written notice of resignation or after the occurrence of any other event requiring such appointment, the Registrar or any Bondholder may apply to any court of competent jurisdiction to appoint a successor. Any Registrar appointed under the provision of this section shall be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Ordinance.

Section 11.09. Transfer of Rights and Property to Successor. Any predecessor Registrar or Paying Agent shall pay over, assign and deliver any moneys, books and records held by it to its successor.

Section 11.10. Merger or Consolidation. Any company into which the Registrar may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which the Registrar or any public officer or court may sell or transfer all or substantially all of its corporate trust business, shall be the successor to such Registrar without the execution or filing of any paper or the performance of any further act; provided, however, that such company shall be a bank, trust company or national banking association meeting the requirements set forth in Section 11.08.

Section 11.11. Adoption of Authentication. In case any of the Series 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 Series 2017 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 11.12. Paying Agent. The Issuer is hereby authorized to enter into an agreement with the Paying Agent, if such an agreement is determined necessary or convenient by the Mayor, in such form as may be approved by the Mayor, the execution of such agreement by the Mayor to be conclusive evidence of such approval. Any alternate Paying Agent must be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Bond Legislation. Such alternated Paying Agent shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the Issuer a written acceptance thereof. Any successor Paying Agent shall take such actions as may be necessary to ensure that the Bonds shall be and remain DTC-eligible.

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

Any bank, trust company or national banking association with or into which any Paying Agent may be merged or consolidated, or to which the assets and business of such Paying Agent may be sold, shall be deemed the successor of such Paying Agent for the purposes of this Ordinance. If the position of Paying Agent shall become vacant for any reason, the Issuer shall, within 30 days thereafter, appoint a bank, trust company or national banking association located in the same city as such Paying Agent to fill such vacancy; provided, however, that, if the Issuer shall fail to appoint such Paying Agent within said period, the Commission, a court of competent jurisdiction or the Holders of a majority in principal amount of the Series 2017 Bonds then Outstanding may make such appointment.

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

Notice of the appointment of successor or additional Paying Agents or fiscal agents shall be given in the same manner as provided by Section 11.08 hereof with respect to the appointment of a successor Registrar.

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

ARTICLE XII MISCELLANEOUS

Section 12.01. Amendment of Ordinance. Prior to issuance of the Series 2017 Bonds, this Ordinance may be amended or supplemented in any way by a Supplemental Resolution. Following issuance of the Series 2017 Bonds, this Ordinance may be amended or modified by a Supplemental Resolution without the consent of any Bondholder or other person, so long as such amendment or modification is not materially adverse to any Bondholder, as determined by an opinion of Bond Counsel. 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 51% in aggregate principal amount of the Series 2017 Bonds then Outstanding and affected thereby, which must be filed with 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 Series 2017 Bond without the express written consent of the Holder of each Series 2017 Bond so affected, nor reduce the percentage of Series 2017 Bonds required for consent to any such modification or amendment.

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

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

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

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

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

Section 12.03. Preservation and Inspection of Documents. To the extent allowable under law, all reports, certificates, statements and other documents received by the Registrar under the provisions of this Ordinance shall be retained in its possession and shall be available at all reasonable times for the inspection of the Issuer or any Bondholder, and their agents and their representatives, but any such reports, certificates, statements or other documents may, at the election of the Registrar, be destroyed or otherwise disposed of at any time after such date as the pledge created by this Ordinance shall be discharged as provided in Section 10.01.

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

Section 12.05. Failure to Present Bonds. Anything in this Ordinance to the contrary notwithstanding, any moneys held by the Commission or other Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for 1 year after the date on which such Bonds have become due and payable, whether by maturity or upon call for redemption, shall at the written request of the Issuer be paid by the Commission or said other Paying Agent to the Issuer as its absolute property and free from trust, and the Commission or said other 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 Commission, or said other Paying Agent shall send to the Holder, at the address listed on the Bond Register, by certified mail, a notice that such moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of such notice is mailed, the balance of such moneys then unclaimed will be returned to the Issuer.

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

ISSUER

Corporation of Shepherdstown
104 North King Street
Shepherdstown, West Virginia
Attention: Mayor

REGISTRAR

[To be set forth in the Certificate of Determination.]

DEPOSITORY BANK

Jefferson Security Bank
Post Office Box 35
Shepherdstown, West Virginia 25443

ORIGINAL PURCHASER

Crews & Associates, Inc.
521 President Clinton Avenue, Suite 800
Little Rock, Arkansas 72201
Attention: Public Finance

PAYING AGENT

West Virginia Municipal Bond Commission
Suite 1117
900 Pennsylvania Avenue
Charleston, West Virginia 25302

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

Section 12.07. No Personal Liability. No member of the Governing Body or officer or employee of the Issuer shall be individually or personally liable for the payment of the principal of or the redemption premium, if any, or 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 12.08. Law Applicable. The laws of the State shall govern the construction of this Ordinance and of all Bonds issued hereunder.

Section 12.09. Parties Interested Herein. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than

the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2017 Bonds and the Original Purchaser, any right, remedy or claim under or by reason of this Ordinance. All the covenants, stipulations, promises and agreements contained in this Ordinance by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2017 Bonds and the Original Purchaser.

Section 12.10. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Ordinance shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Ordinance.

Section 12.11. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof

Section 12.12. Conflicting Provisions Repealed. All orders, resolutions or parts thereof in conflict with the provisions of this Ordinance, are, to the extent of such conflict, hereby repealed; provided that, in the event of any conflict between this Ordinance and the Prior Ordinances authorizing the Prior Bonds, the respective Prior Ordinances shall control, unless less restrictive, so long as the respective Prior Bonds are Outstanding.

Section 12.13. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Ordinance do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto, and that the Mayor, Recorder and other members of the Governing Body were at all times when any actions in connection with this Ordinance occurred and are duly in office and duly qualified for such office.

Section 12.14. Effective Time. This Ordinance shall take effect following public hearing hereon in accordance with the Act.

Section 12.15. Statutory Notice and Public Hearing. Upon enactment hereof, an abstract of this Ordinance, substantially in the form attached hereto as Exhibit C, which is determined by the Issuer to contain sufficient information as to give notice of the contents hereof, shall be published once a week for 2 successive weeks within a period of 14 consecutive days, with at least 6 full days intervening between each publication, in a newspaper of general circulation in the Corporation of Shepherdstown, 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 10 days subsequent to the date of the first publication of the said abstract and notice, and present protests, and that a certified copy of the Ordinance is on file in the office of the Town Clerk for review by interested parties during the office hours of the Town Clerk.

At such hearing, all protests and suggestions shall be heard and the Council of the Corporation of Shepherdstown shall take such action as it shall deem proper in the premises.

Passed on First Reading
Passed on Second Reading
Passed on Final Reading and
Effective following public hearing held on

April 11, 2017
April 18, 2017

May 9, 2017



Mayor

ATTEST:

By: 

Recorder

CERTIFICATION

Certified a true copy of an Ordinance duly enacted by the Council of the Corporation of Shepherdstown on the 18th day of April, 2017, and passed on final reading and put into effect following a public hearing held on May 9, 2017.

Dated: June 15, 2017.


Recorder, Corporation of Shepherdstown

[SEAL]

EXHIBIT A

DESCRIPTION OF PROJECT

The acquisition and construction of certain extensions, additions, betterments and improvements to the Issuer's existing waterworks system, including without limitation the acquisition, construction and installation of a new twelve-inch high service waterline to the Issuer's two elevated water storage tanks.

EXHIBIT B
BOND FORM

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

No. R-_____

\$_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CORPORATION OF SHEPHERDSTOWN
WATER REVENUE BOND
SERIES 2017

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
_____%	_____, 20__	_____, 2017	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS: That the CORPORATION OF SHEPHERDSTOWN, a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the 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, 2017 (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 \$500,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the principal 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 "Corporation of Shepherdstown Water Revenue Bonds, Series 2017" (the "Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated ____, 2017, the proceeds of which are to be used, together with other funds of the Issuer, (i) to finance costs of the acquisition and construction of certain improvements to and equipment for the existing public water facilities of the Issuer (the "System"), consisting of the acquisition and installation of a new twelve inch high service waterline to the Issuer's two elevated water storage tanks (the "Project"); (ii) to fund a reserve account for the Bonds; and (iii) to pay certain costs of issuance of the Bonds and related costs. The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 19 of the Code of West Virginia, 1931, as amended (the "Act"), and an ordinance duly enacted by the Issuer on ____, 2017 (the "Ordinance"), and is subject to all the terms and conditions of the Ordinance. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Ordinance. Reference is hereby made to the Ordinance, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Ordinance are on file at the office of the Issuer.

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 FOLLOWING OUTSTANDING WATER REVENUE BONDS OF THE ISSUER: (I) WATER REVENUE BONDS, SERIES 2003A (WEST VIRGINIA DWTRF PROGRAM), DATED JUNE 13, 2003, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$699,459 (THE "SERIES 2003A BONDS"), (II) WATER REVENUE BONDS, SERIES 2003B (WEST VIRGINIA DWTRF PROGRAM), DATED JUNE 13, 2003, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$1,300,541 (THE "SERIES 2003B BONDS"), AND (III) WATER REVENUE BONDS, SERIES 2012 (WEST VIRGINIA INFRASTRUCTURE FUND), DATED JULY 19, 2012, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$4,000,000 (THE "SERIES 2012 BONDS" AND COLLECTIVELY WITH THE SERIES 2003A BONDS AND THE SERIES 2003B BONDS, THE "PRIOR BONDS"). THE PRIOR BONDS AND THIS BOND ARE PAYABLE ONLY FROM AND SECURED BY A PLEDGE OF THE NET REVENUES OF THE SYSTEM, PROVIDED THAT, UPON THE PAYMENT IN FULL OF THE SERIES 2003A BONDS AND SERIES 2003B BONDS, THE SERIES 2012 BONDS AND THIS BOND WILL PAYABLE ONLY FROM AND SECURED BY A PLEDGE OF THE GROSS REVENUES OF THE SYSTEM.

The Bonds of this issue are subject to redemption prior to their stated Maturity Dates, as provided in the Ordinance and Certificate of Determination, as set forth in the following lettered paragraphs:

(A) Optional Redemption. The Bonds are not subject to optional redemption prior to _____. At the option of the Issuer, the Bonds will be subject to redemption prior to maturity on and after _____, [as a whole or in part at any time], [in inverse order of maturity and]by random selection within maturities if less than all of any maturity, at a redemption price (expressed as a percentage of the principal amount) set forth below, plus interest accrued to the date fixed for redemption:

Period During Which Redeemed

Redemption

(B) Mandatory Sinking Fund Redemption. The Bonds maturing on _____, are subject to mandatory sinking fund redemption prior to maturing on _____ of the years and in the principal amounts set forth below, at the redemption price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Bonds Maturing

<u>Year(s)</u>	<u>Principal Amount</u>
----------------	-------------------------

Bonds Maturing

Year(s) Principal Amount

Bonds Maturing

Year(s) Principal Amount

Bonds Maturing

Year(s) Principal Amount

Bonds Maturing

Year(s) Principal Amount

* Final Maturity

In the event of any redemption of less than all outstanding Bonds, Bonds shall be selected for redemption by lot or in such other manner deemed appropriate by the Paying Agent. If less than all the Bonds are to be redeemed, the Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

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

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

This Bond is payable from and secured by a pledge of the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds, and from moneys in the reserve account created under the Ordinance for the Bonds (the "Series 2017 Bonds Reserve Account") and unexpected proceeds of the Bonds, provided, however, upon the payment in full of the Series 2003A Bonds and Series 2003B Bonds, the payment of the debt service of the Series 2012 Bonds and this Bond shall be secured forthwith equally and ratably by a first lien on the Gross Revenues derived from the operation of the System. Such Net Revenues or Gross Revenues, as the case may be, 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. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues or Gross Revenues, as the case may be, the moneys in the Series 2017 Bonds Reserve Account and unexpended proceeds of the Bonds. 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 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds. Additional parity bonds may be issued under the conditions and within the limitations set forth in the Ordinance.

All moneys received from the sale of this Bond except for accrued interest thereon shall be applied solely to pay costs of the Project, fund a reserve account for the Bonds, and pay costs of issuance thereof, and there shall be, and hereby is, created and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of 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 Net Revenues or Gross Revenues, as the case may be, of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Bonds of which this Bond is one.

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

This Bond and the interest thereon are under the Act exempt from taxation by the State of West Virginia, or any county, municipality or county commission, political subdivision or agency thereof.

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

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

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

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

[SEAL]

Mayor

ATTEST:

Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Dated: _____, 2017

_____,
as Registrar

By: _____
Its: Authorized Officer

ASSIGNMENT

Social Security or Other Identifying Number of Assignee _____

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

Dated: _____

SIGNATURE GUARANTEED:

(Bank, Trust Company or Firm)

(Authorized Officer)

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

EXHIBIT C

NOTICE OF PUBLIC HEARING

CORPORATION OF SHEPHERDSTOWN NOTICE OF PUBLIC HEARING ON WATER REVENUE BOND ORDINANCE

A public hearing will be held on the following entitled Ordinance at a [regular/special] meeting of the Council of the Corporation of Shepherdstown to be held on _____, _____, 2017, at _____ m., in the Council Chambers at the Shepherdstown Town Hall, 104 North King Street, Shepherdstown, West Virginia, and at such hearing any person interested may appear before the Council and present protests, and all protests and suggestions shall be heard by the Council and it shall then take such actions as it shall deem proper in the premises upon an Ordinance entitled:

ORDINANCE AUTHORIZING THE ISSUANCE BY THE CORPORATION OF SHEPHERDSTOWN OF WATER REVENUE BONDS, SERIES 2017 IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT MORE THAN \$3,500,000, FOR THE PURPOSES OF FINANCING COSTS OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE WATER SYSTEM OF THE CORPORATION OF SHEPHERDSTOWN, FUNDING A DEBT SERVICE RESERVE FUND FOR THE SERIES 2017 BONDS AND PAYING THE COSTS OF ISSUANCE THEREOF; AUTHORIZING SAID EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS; PROVIDING AS TO THE TERMS AND PROVISIONS OF THE BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS; AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF SUCH BONDS; AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND THE EXECUTION AND DELIVERY OF AN OFFICIAL STATEMENT; DESIGNATING A REGISTRAR AND PAYING AGENT; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AND ADOPTING OTHER PROVISIONS WITH RESPECT THERETO.

The above-entitled Ordinance was adopted by the Council of the Corporation of Shepherdstown on _____, 2017.

The above-quoted title of the Ordinance describes generally the contents thereof and the purposes of the Bond issue contemplated thereby. The Corporation of Shepherdstown contemplates the issuance of the Bonds described in said Ordinance. The proceeds of the Bonds will be used to provide permanent financing of [a portion of the] costs of acquisition and construction of certain extensions, additions, betterments and improvements to the waterworks system of the Corporation of Shepherdstown, including without limitation the acquisition and installation of a new twelve-inch high service water line to Shepherdstown's two water storage tanks (the "Project"). The Bonds are payable solely from revenues derived from the ownership and operation of the waterworks system of the Corporation of Shepherdstown. No taxes may at any time be levied for the payment of the Bonds or the interest thereon.

A certified copy of the above-entitled Ordinance is on file at the office of the Town Clerk of the Corporation of Shepherdstown at the Town Hall, 104 North King Street, Shepherdstown, West Virginia for review by interested parties during regular office hours of the Town Clerk.

Following the said public hearing, the Council of the Corporation of Shepherdstown intends to enact said Ordinance upon final reading.

Dated: _____, 2017.

/s/ _____, Recorder

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

No. R-1

\$ 275,000.00

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CORPORATION OF SHEPHERDSTOWN
WATER REVENUE BOND
SERIES 2017

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
2.250%	March 1, 2022	June 15, 2017	823407 AG6

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TWO HUNDRED SEVENTY-FIVE THOUSAND
DOLLARS (\$275,000.00)

KNOW ALL MEN BY THESE PRESENTS: That the CORPORATION OF SHEPHERDSTOWN, a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the 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 March 1 and September 1, in each year, beginning September 1, 2017 (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 on this Bond shall be calculated on the basis of a year of 360 days and 12 months of 30-days each.

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 February 15 and August 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, Inc., Charleston, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least \$500,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the principal 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 \$2,650,000 designated "Corporation of Shepherdstown Water Revenue Bonds, Series 2017" (the "Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated June 15, 2017, the proceeds of which are to be used, together with other funds of the Issuer, (i) to finance costs of the acquisition and construction of certain improvements to and equipment for the existing public water facilities of the Issuer (the "System"), consisting of the acquisition and installation of a new twelve inch high service waterline to the Issuer's two elevated water storage tanks (the "Project"); (ii) to fund a reserve account for the Bonds; and (iii) to pay certain costs of issuance of the Bonds and related costs. The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 19 of the Code of West Virginia, 1931, as amended (the "Act"), and an ordinance duly enacted by the Issuer on April 18, 2017, and made effective following a public hearing held on May 9, 2017, as supplemented by the Certificate of Determination signed by the Mayor of the Issuer on June 1, 2017 pursuant to such Ordinance (collectively, the "Ordinance"), and is subject to all the terms and conditions of the Ordinance. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Ordinance. Reference is hereby made to the Ordinance, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Bonds and the

Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Ordinance are on file at the office of the Issuer.

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 FOLLOWING OUTSTANDING WATER REVENUE BONDS OF THE ISSUER: (I) WATER REVENUE BONDS, SERIES 2003A (WEST VIRGINIA DWTRF PROGRAM), DATED JUNE 13, 2003, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$699,459 (THE "SERIES 2003A BONDS"), (II) WATER REVENUE BONDS, SERIES 2003B (WEST VIRGINIA DWTRF PROGRAM), DATED JUNE 13, 2003, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$1,300,541 (THE "SERIES 2003B BONDS"), AND (III) WATER REVENUE BONDS, SERIES 2012 (WEST VIRGINIA INFRASTRUCTURE FUND), DATED JULY 19, 2012, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$4,000,000 (THE "SERIES 2012 BONDS" AND COLLECTIVELY WITH THE SERIES 2003A BONDS AND THE SERIES 2003B BONDS, THE "PRIOR BONDS"). THE PRIOR BONDS AND THIS BOND ARE PAYABLE ONLY FROM AND SECURED BY A PLEDGE OF THE NET REVENUES OF THE SYSTEM, PROVIDED THAT, UPON THE PAYMENT IN FULL OF THE SERIES 2003A BONDS AND SERIES 2003B BONDS, THE SERIES 2012 BONDS AND THIS BOND WILL PAYABLE ONLY FROM AND SECURED BY A PLEDGE OF THE GROSS REVENUES OF THE SYSTEM.

The Bonds of this issue are subject to redemption prior to their stated Maturity Dates, as provided in the Ordinance, as set forth in the following lettered paragraphs:

(A) Optional Redemptions. The Bonds are subject to redemption prior to maturity, at the option of the Issuer, in whole or in part on any date on or after March 1, 2022, at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption

(B) Mandatory Sinking Fund Redemption. The Bonds maturing on March 1, 2022, March 1, 2027, March 1, 2032, March 1, 2037, March 1, 2042 and March 1, 2047 are subject to mandatory sinking fund redemption prior to maturing on March 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 March 1, 2022

<u>Year</u>	<u>Amount</u>
2018	\$45,000
2019	\$55,000
2020	\$55,000
2021	\$60,000
2022*	\$60,000

*Stated maturity

The principal amount of the Bonds maturing March 1, 2022, delivered to or purchased by the Issuer shall reduce pro tanto the principal amount of Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

Bonds Maturing March 1, 2027

<u>Year</u>	<u>Amount</u>
2023	\$60,000
2024	\$65,000
2025	\$65,000
2026	\$65,000
2027*	\$70,000

*Stated maturity

The principal amount of the Bonds maturing March 1, 2027, delivered to or purchased by the Issuer shall reduce pro tanto the principal amount of Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

Bonds Maturing March 1, 2032

<u>Year</u>	<u>Amount</u>
2028	\$70,000
2029	\$75,000
2030	\$75,000
2031	\$80,000
2032*	\$80,000

*Stated maturity

The principal amount of the Bonds maturing March 1, 2032, delivered to or purchased by the Issuer shall reduce pro tanto the principal amount of Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

Bonds Maturing March 1, 2037

<u>Year</u>	<u>Amount</u>
2033	\$85,000
2034	\$85,000
2035	\$90,000
2036	\$95,000
2037*	\$95,000

*Stated maturity

The principal amount of the Bonds maturing March 1, 2037, delivered to or purchased by the Issuer shall reduce pro tanto the principal amount of Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

Bonds Maturing March 1, 2042

<u>Year</u>	<u>Amount</u>
2038	\$100,000
2039	\$105,000
2040	\$110,000
2041	\$115,000
2042*	\$120,000

*Stated maturity

The principal amount of the Bonds maturing March 1, 2042, delivered to or purchased by the Issuer shall reduce pro tanto the principal amount of Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

Bonds Maturing March 1, 2047

<u>Year</u>	<u>Amount</u>
2043	\$120,000
2044	\$130,000
2045	\$135,000
2046	\$140,000
2047	\$145,000

*Stated maturity

The principal amount of the Bonds maturing March 1, 2047, delivered to or purchased by the Issuer shall reduce pro tanto the principal amount of Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

If less than all the Bonds are to be redeemed, the Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

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

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

This Bond is payable from and secured by a pledge of the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the holders of the Prior Bonds, and from moneys in the reserve account created under the Ordinance for the Bonds (the "Series 2017 Bonds Reserve Account") and unexpected proceeds of the Bonds, provided, however, upon the payment in full of the Series 2003A Bonds and Series 2003B Bonds, the payment of the debt service of the Series 2012 Bonds and this Bond shall be secured forthwith equally and ratably by a first lien on the Gross Revenues derived from the operation of the System. Such Net Revenues or Gross Revenues, as the case may be, 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. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues or Gross Revenues, as the case may be, the moneys in the Series 2017 Bonds Reserve Account and unexpended proceeds of the Bonds. 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 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds. Additional parity bonds may be issued under the conditions and within the limitations set forth in the Ordinance.

All moneys received from the sale of this Bond except for accrued interest thereon shall be applied solely to pay costs of the Project, fund a reserve account for the Bonds, and pay costs of issuance thereof, and there shall be, and hereby is, created and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of 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 Net Revenues or Gross Revenues, as the case may be, of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Bonds of which this Bond is one.

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

This Bond and the interest thereon are under the Act exempt from taxation by the State of West Virginia, or any county, municipality or county commission, political subdivision or agency thereof.

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

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

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

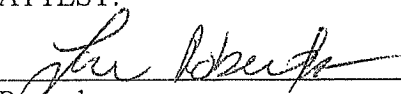
IN WITNESS WHEREOF, CORPORATION OF SHEPHERDSTOWN has caused this bond to be signed by its Mayor, and its corporate seal to be imprinted hereon and attested by its Recorder, and has caused this Bond to be dated, as of the Bond Date specified above.

[SEAL]



Mayor

ATTEST:



Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

Dated: June 15, 2017

UNITED BANK, INC.,
as Registrar

By: _____

[Signature]
Its: Authorized Officer

ASSIGNMENT

Social Security or Other Identifying Number of Assignee _____

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

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

Dated: _____

SIGNATURE GUARANTEED:

(Bank, Trust Company or Firm)

(Authorized Officer)

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

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

No. R-2

\$ 325,000.00

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CORPORATION OF SHEPHERDSTOWN
WATER REVENUE BOND
SERIES 2017

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
3.000%	March 1, 2027	June 15, 2017	823407 AH4

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THREE HUNDRED TWENTY-FIVE THOUSAND
DOLLARS (\$325,000.00)

KNOW ALL MEN BY THESE PRESENTS: That the CORPORATION OF SHEPHERDSTOWN, a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the 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

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

No. R-3

\$ 380,000.00

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CORPORATION OF SHEPHERDSTOWN
WATER REVENUE BOND
SERIES 2017

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
3.300%	March 1, 2032	June 15, 2017	823407 AJ0
REGISTERED OWNER:	CEDE & CO.		
PRINCIPAL AMOUNT:	THREE HUNDRED EIGHTY THOUSAND DOLLARS (\$380,000.00)		

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

No. R-4

\$ 450,000.00

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CORPORATION OF SHEPHERDSTOWN
WATER REVENUE BOND
SERIES 2017

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
3.750%	March 1, 2037	June 15, 2017	823407 AK7

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FOUR HUNDRED FIFTY THOUSAND
DOLLARS (\$450,000.00)

KNOW ALL MEN BY THESE PRESENTS: That the CORPORATION OF SHEPHERDSTOWN, a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the 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

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No. R-5

\$ 550,000.00

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CORPORATION OF SHEPHERDSTOWN
WATER REVENUE BOND
SERIES 2017

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
4.125%	March 1, 2042	June 15, 2017	823407 AL5

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FIVE HUNDRED FIFTY THOUSAND
DOLLARS (\$550,000.00)

KNOW ALL MEN BY THESE PRESENTS: That the CORPORATION OF SHEPHERDSTOWN, a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the 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

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No. R-6

\$ 670,000.00

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CORPORATION OF SHEPHERDSTOWN
WATER REVENUE BOND
SERIES 2017

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NO.</u>
4.250%	March 1, 2047	June 15, 2017	823407 AM3

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: SIX HUNDRED SEVENTY THOUSAND
DOLLARS (\$670,000.00)

KNOW ALL MEN BY THESE PRESENTS: That the CORPORATION OF SHEPHERDSTOWN, a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the 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

900 Pennsylvania Avenue
Suite 1117, Charleston, WV 25302
(304) 558-3971 FAX: 558-1280

Date of Report: June 15, 2017

FOR MUNICIPAL BOND COMMISSION USE ONLY:

Documents Required:

Transfers Required: