

**CORPORATION OF SHEPHERDSTOWN
WATER REVENUE BONDS,
SERIES 2012
(WEST VIRGINIA INFRASTRUCTURE FUND)

BOND ORDINANCE**

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CORPORATION OF SHEPHERDSTOWN

BOND ORDINANCE

ORDINANCE AUTHORIZING THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE WATERWORKS SYSTEM OF THE CORPORATION OF SHEPHERDSTOWN AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CORPORATION OF SHEPHERDSTOWN OF NOT MORE THAN FOUR MILLION DOLLARS (\$4,000,000.00) IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS TO BE DESIGNATED "WATER REVENUE BONDS, SERIES 2012 (WEST VIRGINIA INFRASTRUCTURE FUND);" PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY ACTING AT THE DIRECTION OF THE WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Resolution. This Ordinance (together with any order, ordinance or resolution supplemental hereto or amendatory hereof, the “Bond Legislation”) is enacted pursuant to the provisions of Chapter 8, Article 19 and Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (collectively, the “Act”), and other applicable provisions of law.

Section 1.02. Findings 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 Chapman Technical Group, Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. 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 2012 Bonds and the Prior Bonds and all Sinking Funds, Reserve Accounts and other payments provided for herein, all as such terms are hereinafter defined.

D. It is further deemed necessary for the Issuer to issue its Series 2012 Bonds in the total aggregate principal amount of not more than \$4,000,000, in one series, being the Water Revenue Bonds, Series 2012 (West Virginia Infrastructure Fund) (the “Series 2012 Bonds”), to permanently finance the costs of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Series 2012 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 2012 Bonds Reserve Account; engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees of the Authority (as hereinafter defined), discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2012 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 2012 Bonds or the repayment of indebtedness incurred by the Issuer for such purposes, shall be deemed Costs of the Project, as hereinafter defined.

E. The estimated maximum cost of the acquisition and construction of the Project and issuance of the Series 2012 Bonds is \$4,900,000, of which \$900,000 has been or will be paid from the Issuer's existing funds in its water capacity improvement fund account, and the balance of which will be permanently financed with the proceeds of the Series 2012 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 interest of the Issuer that its Series 2012 Bonds be issued and sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a loan agreement to be entered into between the Issuer and the Authority, acting at the direction of the West Virginia Infrastructure and Jobs Development Council (the "Council") with respect to the Series 2012 Bonds (the "Loan Agreement"), the execution, delivery and form of which are ratified and approved herein.

H. There are outstanding obligations of the Issuer which will rank on parity with the Series 2012 Bonds as to liens and sources of and security for payment, which obligations are designated and have the lien positions, together with the Series 2012 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" and together with the Series 2003A Bonds, the "Prior Bonds")	First Lien
The Series 2012 Bonds	First Lien

The Series 2012 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 an Independent Certified Public Accountant 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 2012 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 and the Loan Agreement relating to authorization of the planning, development, design, acquisition, construction and operation of the Project and the System and issuance of the Series 2012 Bonds or will have so complied prior to issuance of any thereof, including, among other things, the approval of the Project and the financing thereof by the Council, and the obtaining of a Certificate of Public Convenience and Necessity from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which has expired prior to the issuance of the Bonds or has been waived by all necessary parties.

J. The Project has been approved by the Council as required under Chapter 31, Article 15A of the West Virginia Code of 1931, as amended.

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

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

“Act” means, collectively, Chapter 8, Article 19 and Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended and in effect on the date of enactment hereof.

“Authority” means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 2012 Bonds, or any other agency of the State of West Virginia that succeeds to the functions of the Authority, acting in its administrative capacity and upon authorization by the Council under the Act.

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

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

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

“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 2012 Bonds and, where appropriate, any bonds on a parity therewith authorized to be issued hereunder or by another ordinance of the Issuer.

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

“Certificate of Authentication and Registration” means the certificate of authentication and registration on the Series 2012 Bonds in substantially the forms set forth in the bond forms contained herein.

“Closing Date” means the date upon which there is an exchange of the Series 2012 Bonds for an advance of more than a de minimis amount of the principal of the Series 2012 Bonds by the Authority.

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

“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 Chapman Technical Group, 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 West Virginia Code of 1931, as amended.

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

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

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

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

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

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

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

“Governing Body” means the 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.

“Loan Agreement” shall mean the Loan Agreement entered into or to be entered into by and between the Issuer and the Authority acting at the direction of the Council, providing for the purchase of the Series 2012 Bonds from the Issuer by the Authority, the form of which is approved, and the execution and delivery by the Issuer are authorized and directed by Section 3.11 hereof and by the Supplemental Resolution.

“Mayor” means the Mayor of the Issuer.

“Net Proceeds” means the face amount of the Series 2012 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 2012 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 2012 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 2012 Bonds and is not acquired in order to carry out the governmental purpose of the Series 2012 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.

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

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

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

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

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

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

“Prior Ordinance” means the Ordinance 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.

“Qualified Investments” means and includes any of the following:

- (a) Government Obligations;
- (b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;
- (c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;
- (d) Any bond, debenture, note, participation certificate or other similar obligations issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;
- (e) Time accounts (including accounts evidenced by time certificates of deposit, time deposits or other similar banking arrangements) which, to the extent not insured by the FDIC, shall be secured by a pledge of Government Obligations, provided, that said Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time accounts or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time accounts;

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

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

(h) 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; and

(i) Obligations of States or political subdivisions or agencies thereof, the interest on which is exempt from federal income taxation, and which are rated at least “A” by Moody’s Investors Service, Inc. or Standard & Poor’s Corporation.

“Recorder” means the Recorder of the Issuer.

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

“Registrar” means the Bond Registrar.

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

“Reserve Accounts” means, collectively, the Prior Bonds Reserve Accounts and the Series 2012 Bonds Reserve Account.

“Reserve Requirement” means, collectively, the respective amount required to be on deposit in the Reserve Accounts for the Series 2012 Bonds and Prior Bonds.

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

“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 Prior 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 Prior Ordinance.

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

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

“Series 2012 Bonds” means the Water Revenue Bonds, Series 2012 (West Virginia Infrastructure Fund), of the Issuer, authorized by this Ordinance, the original aggregate principal amount of which shall be as set forth in the Supplemental Resolution.

“Series 2012 Bonds Construction Trust Fund” means the Series 2012 Bonds Construction Trust Fund established by Section 5.01 hereof.

“Series 2012 Bonds Reserve Account” means the Series 2012 Bonds Reserve Account established in the Series 2012 Bonds Sinking Fund pursuant to Section 5.02 hereof.

“Series 2012 Bonds Reserve Requirement” means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2012 Bonds in the then concurrent or any succeeding year.

“Series 2012 Bonds Sinking Fund” means the Series 2012 Bonds Sinking Fund established by Section 5.02 hereof.

“Sinking Funds” means, collectively, the Prior Bonds Sinking Funds and the Series 2012 Bonds Sinking Fund.

“State” means the State of West Virginia.

“Supplemental Resolution” means any resolution, ordinance or order of the Issuer supplementing or amending this Ordinance and, when preceded by the article “the,” refers specifically to the Supplemental Resolution authorizing the sale of the Series 2012 Bonds; provided, that any matter intended by this Ordinance to be included in the Supplemental Resolution with respect to the Series 2012 Bonds and not so included may be included in another Supplemental Resolution.

“Surplus Revenues” means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, including, without limitation, the Sinking Funds, Reserve Accounts and Depreciation Fund, 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.

“West Virginia Infrastructure Fund” means the West Virginia Infrastructure Fund established in accordance with Chapter 31, Article 15A, Section 9 of the West Virginia Code of 1931, as amended and in effect on the date of adoption 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 words importing the masculine, feminine or neutral gender shall include any other gender.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized the acquisition and construction of the Project, at an estimated cost of \$4,900,000, 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 foregoing Project costs, including without limitation costs associated with the issuance of the Series 2012 Bonds, shall be paid with the proceeds of the Series 2012 Bonds. The proceeds of the Series 2012 Bonds hereby authorized shall be applied as provided in Article VI hereof. The Issuer has received bids or anticipates receiving bids and has entered into or will enter into contracts for the acquisition and construction of the Project, which are in an amount and otherwise compatible with the financing plan submitted to the Authority and the Council.

The cost of the Project is \$4,900,000, of which \$4,000,000 will be obtained from proceeds of the Series 2012 Bonds and \$900,000 will be obtained from the Issuer's existing funds in its water capacity improvement fund.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 2012 Bonds, funding a reserve account for the Series 2012 Bonds, paying Costs of the Project not otherwise provided for, and paying certain costs of issuance of the Series 2012 Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be issued negotiable Series 2012 Bonds of the Issuer, in an aggregate principal amount of not more than \$4,000,000. The Series 2012 Bonds shall be designated "Water Revenue Bonds, Series 2012 (West Virginia Infrastructure Fund)," and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2012 Bonds remaining after the funding of the Series 2012 Bonds Reserve Account (if funded from the Bond proceeds), capitalization of interest, if any, shall be deposited in or credited to the Series 2012 Bonds Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. The Series 2012 Bonds shall be issued in such principal amounts not to exceed \$4,000,000 in the aggregate; shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 2012 Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest, if any, on the Series 2012 Bonds shall be paid by check or draft of the Paying Agent mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 2012 Bonds shall be issued in the form of a single bond, fully registered to the Authority, with a debt service schedule attached, representing the aggregate principal amount of the Series 2012 Bonds, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Series 2012 Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

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

Section 3.03. Execution of Bonds. The Series 2012 Bonds shall be executed in the name of the Issuer by the Mayor, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Recorder. In case any one or more of the officers who shall have signed or sealed any of the Series 2012 Bonds shall cease to be such officer of the Issuer before the Series 2012 Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 2012 Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Series 2003 Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.10 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Series 2003 Bond shall be conclusive evidence that such Series 2003 Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 2003 Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2012 Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting any of said Bonds shall be conclusively deemed to have agreed that such Series 2012 Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bond shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Series 2012 Bonds remain Outstanding, the Issuer, through the Bond Registrar or its agent, shall keep and maintain the books for the registration and transfer of the Bonds.

The registered Series 2012 Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto, together with a written instrument of transfer satisfactory to the Bond Registrar, duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Series 2012 Bonds or transferring the registered Series 2012 Bonds are exercised, Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Series 2012 Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of Series 2012 Bonds, the Bond Registrar may make a charge sufficient to reimburse it

for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Series 2012 Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on the Series 2012 Bonds or, in the case of any proposed redemption of Series 2012 Bonds, next preceding the date of the selection of Series 2012 Bonds to be redeemed, and ending on such interest payment date or redemption date.

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

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 2012 Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided and amounts, if any, in the Series 2012 Bonds Sinking Fund and the Series 2012 Bonds Reserve Account. No holder or holders of any of the Series 2012 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2012 Bonds or the interest, if any, thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues; Lien Positions with Respect to Prior Bonds; Series 2012 Bonds to be Secured by Gross Revenues after Payment of Prior Bonds. The payment of the debt service of all the Series 2012 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 2012 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 2012 Bonds and Prior Bonds as the same become due. Notwithstanding the foregoing, upon the payment in full of the Prior Bonds, the payment of the debt service of all the Series 2012 Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Gross Revenues derived from the System.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 2012 Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2012 Bonds to the original purchasers upon receipt of the documents set forth below:

A. If other than the Authority, a list of the names in which the Series 2012 Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;

B. A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2012 Bonds to the original purchasers;

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

D. An executed copy of the Loan Agreement; and

E. The approving opinions of bond counsel on the Series 2012 Bonds.

Section 3.10. Form of Series 2012 Bonds. The text of the Series 2012 Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

[Form of Series 2012 Bond]

**UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CORPORATION OF SHEPHERDSTOWN
WATER REVENUE BOND,
SERIES 2012
(WEST VIRGINIA INFRASTRUCTURE FUND)**

No. R-_____

\$_____

KNOW ALL MEN BY THESE PRESENTS: That 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 West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ DOLLARS (\$_____), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as Exhibit A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing on _____, _____, as set forth on the "Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said Exhibit B.

The interest on this Bond shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing _____, 20____, as set forth on Exhibit B attached hereto. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of the Registrar (as defined in the hereinafter described Bond Legislation) on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may only be redeemed prior to its stated date of maturity in whole or in part but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council") and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, acting at the direction of the Council, dated _____, 2012.

This Bond is issued (i) to permanently finance a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing public waterworks system of the Issuer, including without limitation the replacement of two existing water storage tanks with two new elevated water storage tanks (the "Project"); and (ii) to pay

certain costs of issuance hereof and related costs. The existing public waterworks system of the Issuer, the Project and any further additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 19 and Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (collectively, the "Act"), and an Ordinance duly enacted by the Issuer on _____, 2012 and a Supplemental Resolution duly adopted by the Issuer on _____, 2012 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other securities provided for the Bonds of this Series (the "Bonds") under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH (1) THE WATER REVENUE BONDS, SERIES 2003A (WEST VIRGINIA DWTRF PROGRAM), OF THE ISSUER, DATED JUNE 13, 2003, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF \$699,459 (THE "SERIES 2003A BONDS"); AND (2) THE WATER REVENUE BONDS, SERIES 2003B (WEST VIRGINIA DWTRF PROGRAM), OF THE ISSUER, DATED JUNE 13, 2003, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF \$1,300,541 (THE "SERIES 2003B BONDS" AND, TOGETHER WITH THE SERIES 2003A BONDS, THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the System, on a parity with the pledge of the Net Revenues in favor of the holders of the Prior Bonds, and from moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 2012 Bonds Reserve Account"), and unexpended proceeds of the Bonds. Notwithstanding the foregoing, upon the payment in full of the Prior Bonds, this Bond will payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the System, from moneys in the Series 2012 Bonds Reserve Account, and unexpended proceeds of the Bonds, if any. Such Net Revenues (and such Gross Revenues after payment in full of the Prior Bonds) shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon, except from said special fund provided from the Net Revenues (and such Gross Revenues after payment in full of the Prior Bonds), the moneys in the Series 2012 Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds, provided however, that so long as there exists in the Series 2012 Bonds Reserve Account an amount at least equal to the maximum amount of principal and

interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

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

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

IN WITNESS WHEREOF, the CORPORATION OF SHEPHERDSTOWN has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto affixed and attested by its Recorder, and has caused this Bond to be dated _____, 2012.

CORPORATION OF SHEPHERDSTOWN

[SEAL]

Mayor

ATTEST:

Recorder

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2012 Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____,

_____,
as Registrar

By _____
Its: Authorized Officer

EXHIBIT A
RECORD OF ADVANCES

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

EXHIBIT B
DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

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

Dated: _____, 20____.

In the presence of:

Section 3.11. Sale of Series 2012 Bonds; Approval and Ratification of Execution of Loan Agreement with Authority. The Series 2012 Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. The Loan Agreement, including all schedules and exhibits attached thereto, is hereby approved and ratified. If not so authorized by previous resolution or ordinance, the Mayor is specifically authorized and directed to execute the Loan Agreement and the Recorder is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed.

Section 3.12. Series 2012 Bonds are Issued as Parity Bonds With Respect to Prior Bonds. The Series 2012 Bonds are issued as and shall constitute parity bonds with respect to the Prior Bonds. The Issuer has received the consent of the Holder of all of the Outstanding Prior Bonds for the issuance of the Series 2012 Bonds on a parity with the Prior Bonds.

Section 3.13. Filing of "Amended Schedule". Upon completion of acquisition and construction of the Project, the Issuer will file with the Council and the Authority an amended schedule, the form of which will be provided by Council, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE IV
[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment or Continuance of Funds and Accounts with Depository Bank. The following special funds or accounts are created (or continued if previously established or continued by the Prior Ordinance) 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 Ordinance); and
- B. Series 2012 Bonds Construction Trust 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 Ordinance) with the Commission:

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

Section 5.03. System Revenues; Flow of Funds.

A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. All 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 Prior 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 Prior 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 Prior Ordinance for payment of interest on the Series 2003B Bonds; and (iii) beginning 3 months prior to the first interest payment date on the Series 2012 Bonds, for deposit in the Series 2012 Bonds Sinking Fund, a sum equal to 1/3rd of the amount of interest which will become due on the Series 2012 Bonds on the next ensuing quarterly interest payment date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2012 Bonds Sinking Fund and the next ensuing quarterly interest payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next ensuing quarterly interest payment date, the required amount of interest coming due on such date.

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 Prior 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 Prior Ordinance for payment of principal of the Series 2003B Bonds; and (iii) beginning 3 months prior to the first principal payment date of the Series 2012 Bonds, for deposit in the Series 2012 Bonds Sinking Fund, a sum equal to 1/3rd of the amount of principal which will mature and become due on the Series 2012 Bonds on the next ensuing quarterly principal payment date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2012 Bonds Sinking Fund and the next ensuing quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next ensuing quarterly principal payment date, the required amount of principal coming due on such date.

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 Prior Ordinance to be deposited therein; (ii) for deposit in the Series 2003B Bonds Reserve Account the amount required by the Prior Ordinance to be deposited therein; and (iii) commencing the month following the completion of the Project, as certified by the Consulting Engineers, if not fully funded upon issuance of the Series 2012 Bonds, for deposit in the Series 2012 Bonds Reserve Account, an amount equal to 1/120 of the Series 2012 Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 2012 Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2012 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 2012 Bonds as the same become due, and next to restore to the Series 2003A Bonds Reserve Account, the Series 2003B Bonds Reserve Account and/or the Series 2012 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 transfer 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 and the Series 2012 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 2012 Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 2012 Bonds as the same shall become due. Moneys in the Series 2012 Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 2012 Bonds, as the same shall come due, when other moneys in the Series 2012 Bond Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 2012 Bonds Sinking Fund and the Series 2012 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 Series 2012 Bonds Construction Trust 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 2012 Bonds and then to the next ensuing principal payment due thereon, all on a pro rata basis.

Any withdrawals from the Series 2012 Bonds Reserve Account which result in a reduction in the balance of the respective Series 2012 Bonds Reserve Account to below the Series 2012 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 2012 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 a amount equal to the requirement therefor.

The Issuer shall not be required to make any further payments into the Series 2012 Bonds Sinking Fund, or into the Series 2012 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 2012 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 2012 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 2012 Bonds Sinking Fund and the Series 2012 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. If required by the Authority in writing at any time, the Issuer shall make the necessary arrangements whereby required payments into the Series 2012 Bonds Sinking Fund and the Series 2012 Bonds Reserve Account shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Moneys in the Series 2012 Bonds Sinking Fund, the Series 2012 Bonds Reserve Account and the Depreciation Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2012 Bonds Sinking Fund, including the Series 2012 Bonds Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2012 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 2012 Sinking Fund, including the Series 2012 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 2012 Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited.

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

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

be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required.

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

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

H. 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.

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; Pledge of Unexpended Bond Proceeds. From the moneys received from the sale of any or all of the Series 2012 Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2012 Bonds, there shall first be deposited with the Commission in the Series 2012 Bonds Sinking Fund, the amount, if any, specified in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 2012 Bonds for the period commencing on the date of issuance of the Series 2012 Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. Next, from the proceeds of the Series 2012 Bonds, there shall be deposited with the Commission in the Series 2012 Bonds Reserve Account the sum, if any, set forth in the Supplemental Resolution for funding of the Series 2012 Bonds Reserve Account.

C. Next, from the proceeds of the Series 2012 Bonds, there shall first be credited to the Series 2012 Bonds Construction Trust Fund and then paid, any and all borrowings by the Issuer made for the purpose of temporarily financing a portion of the Costs of the Project, together with interest accrued thereon to the date of such payment, not otherwise paid from funds of the Issuer.

D. As the Issuer receives advances of the remaining moneys derived from the sale of such Series 2012 Bonds, such moneys shall be deposited with the Depository Bank in the Series 2012 Bonds Construction Trust Fund. The monies in the Series 2012 Bonds Construction Trust Fund shall be applied solely to payment of Costs of the Project in the manner set forth in Section 6.02 and until so expended, are hereby pledged as additional security for the Series 2012 Bonds.

E. After completion of construction of the Project, as certified by the Consulting Engineers, and all Costs have been paid, any remaining proceeds of the Series 2012 Bonds shall be expended as directed by the Authority and the Council.

Section 6.02. Disbursements From the Construction Trust Fund. On or before the Closing Date, the Issuer shall have delivered to the Authority and the Council a report listing the specific purposes for which the proceeds of the Series 2012 Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule. Payments for costs of the Project from the proceeds of the Series 2012 Bonds shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Series 2012 Bonds Construction Trust Fund shall be made only after submission to, and approval from the Council of the following:

I. A completed and signed "Payment Requisition Form," the form of which is attached to the Loan Agreement, in compliance with the construction schedule; and

II. A certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

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

2. Each item for which the payment is proposed to be made is or was necessary in connection with the Project and constitutes a Cost of the Project;

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

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

Pending such application, moneys in the Series 2012 Bonds Construction Trust Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

The Issuer shall expend all proceeds of the Series 2012 Bonds within 3 years of the date of issuance of the Council's bonds, the proceeds of which were used to make the loan to the Issuer.

After completion of construction of the Project, as certified by the Consulting Engineers, and all costs of the Project have been paid, any remaining proceeds of the Series 2012 Bonds shall be expended as directed by the Council.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2012 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 2012 Bonds or the interest thereon is Outstanding and unpaid. Further, all the covenants, agreements and provisions of the Prior Ordinance shall remain in full force and effect so long as any of the Prior Bonds remain Outstanding.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2012 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 2012 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Series 2012 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 to be Secured by Gross Revenues after Payment of Prior Bonds. The payment of the debt service of the Series 2012 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 2012 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 Ordinance are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Series 2012 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 Prior Bonds, the payment of the debt service of the Series 2012 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. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreements. 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 July 24, 2009, and are hereby ratified, and which rates are incorporated herein by reference as a part hereof.

So long as any of the Series 2012 Bonds are Outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Bond Legislation and in compliance with the Loan Agreement. In the event the schedule of rates and charges initially established for the System in connection with the Series 2012 Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement, the Issuer hereby covenants and agrees that it will, to the extent and in the manner authorized by law, immediately adjust and increase such schedule of rates and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement.

Section 7.05. Sale of the System. So long as the Prior Bonds are Outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, or any part thereof, except as provided in the Prior Ordinance. Additionally, so long as the Series 2012 Bonds are Outstanding and except as otherwise required by law or with the written consent of the Council and the Authority, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Series 2012 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 and the Series 2012 Bonds Sinking Fund, respectively, pro rata, with respect to the principal amount of each of the Prior Bonds and the Series 2012 Bonds then Outstanding, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest on the Series 2012 Bonds and Prior Bonds in such manner. Any balance remaining after the payment of all the Series 2012 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 2012 Bonds and Prior Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of the Series 2012 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 2012 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 2012 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 2012 Bonds. All obligations issued by the Issuer after the issuance of the Series 2012 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 2012 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 2012 Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Series 2012 Bonds and the interest thereon in this Bond Legislation, or upon the System or any part thereof.

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

Section 7.07. Parity Bonds. So long as any of the Prior Bonds are Outstanding, the limitations on the issuance of parity obligations set forth in the Prior Ordinance shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2012 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 2012 Bonds, and must have the prior written consent of the Authority and the Council.

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 one or more series of the Prior Bonds, the Series 2012 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 2012 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 2012 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 authorized 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 2012 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 2012 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 Ordinance with respect to the Series 2012 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.

Notwithstanding the foregoing, additional parity bonds may be issued to complete the Project without regard to the foregoing.

Section 7.08. Books; Records and Audit. The Issuer shall keep complete and accurate records of the costs of acquiring the Project site and acquiring, constructing and installing the Project. The Issuer shall permit the Authority and the Council, or their agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at all reasonable times for the purpose of audit and examination. The Issuer shall submit to the Authority and the Council such documents and information as it may reasonably require in connection with the acquisition, construction and installation of the Project, the operation and maintenance of the System and the administration of the loan or any grants or other sources of financing for the Project.

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

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

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

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

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

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

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

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of Bonds and shall submit said report to the Authority, the Council or any other original purchaser of the Bonds. Such audit report submitted to the Authority and the Council shall include a statement that the Issuer is in compliance with the terms and provisions of the Act, the Loan Agreement and this Bond Legislation, and that the Issuer's revenues are adequate to meet the Issuer's Operating Expenses and debt service requirements.

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

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

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 2012 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2012 Bonds, including without limitation the Prior Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit, respectively, in the Series 2012 Bonds Reserve Accounts and reserve accounts for obligations on a parity with the Series 2012 Bonds, including without limitation the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Series 2012 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2012 Bonds, including without limitation the Prior Bonds. In any event, the Issuer shall not reduce the rates or charges for services set forth in the rate schedule described in Section 7.04.

Section 7.10. Operating Budget and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the Council within 30 days of adoption thereof. The Issuer, with the approval of the Governing Body, may amend the budget during the subject Fiscal Year provided that the budget remains balanced after such amendment. If the budget is so amended, a copy of the amended budget shall be submitted to the Authority and the Council within 15 days of the adoption of such amendment. After the adoption of any such amendment, the budget, as amended, shall be the budget of the Issuer for the balance of the subject Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by 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. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of a registered professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget, any amendments thereto and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and the Council and to any Holder of any Bonds who shall file his or her address with the Issuer and request in writing that copies of all such budgets, any amendments thereto and resolutions be furnished him or her and shall make available such budgets, any amendments thereto and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

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

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

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

The Issuer shall employ qualified operating personnel properly certified by the State before the Project is 50% complete and shall retain such a certified operator to operate the System so long as the Series 2012 Bonds are Outstanding. The Issuer shall notify the Council in writing of the certified operator employed at the 50% completion stage.

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

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

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 20 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West

Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System 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 7.14. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as any of the Series 2012 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 Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreements, during construction of the Project on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

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

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

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

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

(6) FIDELITY BONDS, will be provided for every officer, 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; provided that the amounts and terms of such coverage are satisfactory to the Authority and the Council. In the event the Loan Agreement so requires, such insurance shall be made payable to the order of the Authority, the Issuer, the prime contractor and all subcontractors, as their interest may appear. The Issuer shall verify such insurance prior to commencement of construction.

Section 7.16. 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 7.17. Completion and Operation of Project; Permits and Orders. The Issuer will complete the Project as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition and in compliance with all federal and state requirements and standards.

The Issuer has obtained all permits required by state and federal laws for the acquisition and construction of the Project, all orders and approvals from the Public Service Commission of West Virginia and the West Virginia Infrastructure and Jobs Development Council necessary for

the acquisition and construction of the Project and the operation of the System and all approvals for issuance of the Series 2012 Bonds required by state law, with all requisite appeal periods having expired without successful appeal.

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

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

The Issuer shall perform the annual maintenance audits as required by the Loan Agreement and shall submit such audits to the Council, the Authority and the Public Service Commission of West Virginia.

Section 7.19. Contracts; Public Releases. A. The Issuer shall, simultaneously with the delivery of the Series 2012 Bonds or within thirty days thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

B. The Issuer shall submit all proposed change orders to the Council for written approval. The Issuer shall obtain the written approval of the Council before expending any proceeds of the Series 2012 Bonds held in "contingency" as set forth in the schedule attached to the Certificate of the Consulting Engineer. The Issuer shall also obtain the written approval of the Council before expending any proceeds of the Series 2012 Bonds made available due to bid or construction or project underruns.

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

Section 7.20. 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 2012 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 2012 Bonds during the term thereof is, under the terms of the Series 2012 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 2012 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 2012 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 2012 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 2012 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 2012 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 2012 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 2012 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 (including, without limitation, those deemed necessary by the Authority) so that the interest on the Series 2012 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 (including, without limitation, those deemed necessary by the Authority), the result of which would adversely affect such exclusion.

Section 7.21. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2012 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 2012 Bonds and shall be for the equal benefit of all Holders of each respective series of Series 2012 Bonds; provided, however, that the statutory mortgage lien in favor of the Holders of the Series 2012 Bonds shall be on parity with the statutory mortgage lien in favor of the Holders of the Prior Bonds.

Section 7.22. Securities Laws Compliance. The Issuer will provide the Authority, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of changes in usage and

customer base) so that the Authority may comply with the provisions of SEC Rule 15c2-12 (17 CFR Part 240).

ARTICLE VIII

INVESTMENT OF FUNDS

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

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

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year during which the respective banks hold any such funds, accounts or investments (or more often if reasonably requested by the Issuer), a summary of such funds, accounts, and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Series 2012 Bonds are Outstanding and as long thereafter as necessary to comply with the Code and assure the exclusion of interest on the Series 2012 Bonds from gross income for federal income tax purposes.

Section 8.02. Certificate as to Use of Proceeds. The Issuer shall deliver a certificate as to use of proceeds or other similar certificate to be prepared by nationally recognized bond counsel relating to restrictions on the use of proceeds of the Series 2012 Bonds as a condition of issuance of the Series 2012 Bonds. In addition, the Issuer covenants (i) to comply with the Code and all Regulations from time to time in effect and applicable to the Series 2012 Bonds as may be necessary in order to maintain the status of the Series 2012 Bonds as governmental bonds; (ii) that it shall not take, or permit or suffer to be taken, any action with respect to the Issuer's use of the proceeds of the Series 2012 Bonds which would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Code, issued by the Authority or the Council, as the case may be, from which the proceeds of the Series 2012 Bonds are

derived, to lose their status as tax-exempt bonds; and (iii) to take such action, or refrain from taking such action, as shall be deemed necessary by the Issuer, or requested by the Authority or the Council, to ensure compliance with the covenants and agreements set forth in this Section 8.02, regardless of whether such actions may be contrary to any of the provisions of this Bond Legislation.

The Issuer shall annually furnish to the Authority information with respect to the Issuer's use of the proceeds of the Series 2012 Bonds and any additional information requested by the Authority.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an “Event of Default” with respect to the Series 2012 Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest on any of the Series 2012 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 2012 Bonds, set forth in this Bond Legislation, any supplemental resolution or in the Series 2012 Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, Registrar or any other Paying Agent or a Holder of a Bond; or

(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 Ordinance.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Holders of the Bonds, including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Holders of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners; provided that all rights and remedies of the Holders of the Series 2012 Bonds shall be on a parity with the Holders of the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Holder of a Bond, may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, 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.

ARTICLE X

PAYMENT OF BONDS

Section 10.01. Payment of Series 2012 Bonds. If the Issuer shall pay or there shall otherwise be paid, to the respective Holders of all Series 2012 Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 2012 Bonds only, the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2012 Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to the issuance of the Series 2012 Bonds, this Ordinance may be amended or supplemented in any way by Supplemental Resolution. Following issuance of the Series 2012 Bonds, no material modification or amendment of this Bond Legislation, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Series 2012 Bonds shall be made without the consent in writing of the Holders of the Series 2012 Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Series 2012 Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludability of interest on the Series 2012 Bonds from gross income of the holders thereof.

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

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Ordinance should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance, the Supplemental Resolution, or the Series 2012 Bonds.

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

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

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the enactment of this Ordinance do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in

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

Section 11.07. Effective Time. This Ordinance shall take effect following public hearing hereon in accordance with the Act.

Section 11.08. Statutory Notice and Public Hearing. Upon enactment hereof, an abstract of this Ordinance, substantially in the form attached hereto as Exhibit B, which is determined by the Issuer to contain sufficient information as to give notice of the contents hereof, shall be published once a week for 2 successive weeks within a period of 14 consecutive days, with at least 6 full days intervening between each publication, in 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 2012 Bonds, and that any person interested may appear before the Common Council upon a date certain, not less than 10 days subsequent to the date of the first publication of the said abstract and notice, and present protests, and that a certified copy of the Ordinance is on file in the office of the Recorder for review by interested parties during the office hours of the Recorder.

At such hearing, all objections and suggestions shall be heard and the 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
Effective following public
hearing held on

April 10, 2012

May 8, 2012

June 12, 2012

Arthur J. Deuser III
Mayor

ATTEST:

By: [Signature]
Recorder

CERTIFICATION

Certified a true copy of an Ordinance duly enacted by the Council of the Corporation of Shepherdstown on the 8th day of May, 2012, and put into effect following a public hearing held on June 12, 2012.

Dated: July 19, 2012.

[SEAL]

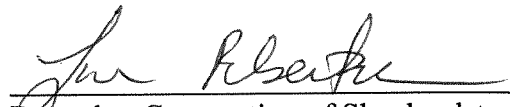

Recorder, Corporation of Shepherdstown

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 replacement of two existing water storage tanks with two new elevated water storage tanks.

EXHIBIT B

NOTICE OF PUBLIC HEARING

CORPORATION OF SHEPHERDSTOWN NOTICE OF PUBLIC HEARING ON WATER BOND ORDINANCE

A public hearing will be held on the following entitled Ordinance at a [regular] meeting of the Council of the Corporation of Shepherdstown to be held on Tuesday, _____, 2012, at _____ m., in the Council Chambers at the Town Hall, 104 North King Street, Shepherdstown, West Virginia, and at such hearing all objections and suggestions shall be heard by the Council and it shall then take such actions as it shall deem proper in the premises upon an Ordinance entitled:

ORDINANCE AUTHORIZING THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE WATERWORKS SYSTEM OF THE CORPORATION OF SHEPHERDSTOWN AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CORPORATION OF SHEPHERDSTOWN OF NOT MORE THAN FOUR MILLION DOLLARS (\$4,000,000.00) IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS TO BE DESIGNATED "WATER REVENUE BONDS, SERIES 2012 (WEST VIRGINIA INFRASTRUCTURE FUND);" PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY ACTING AT THE DIRECTION OF THE WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

The above quoted title of the Ordinance describes generally the contents thereof and the purposes of the Bond issue contemplated thereby. The Bonds are to provide permanent financing of a portion of the costs of acquisition and construction of certain improvements and extensions to the waterworks system for the Corporation of Shepherdstown, including without limitation the replacement of two existing water storage tanks with two new elevated water storage tanks (the "Project"). The Bonds are payable solely from revenues derived from the

ownership and operation of the public 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.

Following the said public hearing, the Council of the Corporation of Shepherdstown intends to put said Ordinance into effect.

Dated: _____, 2012.

/s/ _____, Recorder

**CORPORATION OF SHEPHERDSTOWN
WATER REVENUE BONDS,
SERIES 2012
(WEST VIRGINIA INFRASTRUCTURE FUND)**

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, INTEREST RATE, DATE, MATURITY DATE, REDEMPTION PROVISIONS, PRINCIPAL AND INTEREST PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 2012 (WEST VIRGINIA INFRASTRUCTURE FUND) OF THE CORPORATION OF SHEPHERDSTOWN; AUTHORIZING, RATIFYING AND APPROVING A LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A BONDS REGISTRAR, DEPOSITORY BANK, AND PAYING AGENT; AMENDING THE ORDINANCE AUTHORIZING THE ISSUANCE OF THE AFORESAID BONDS; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the City Council (the "Governing Body") of the Corporation of Shepherdstown (the "Issuer") has duly and officially enacted an Ordinance on May 8, 2012, and has put such Ordinance into effect following a public hearing held on June 12, 2012 (the "Ordinance") entitled:

ORDINANCE AUTHORIZING THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE WATERWORKS SYSTEM OF THE CORPORATION OF SHEPHERDSTOWN AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CORPORATION OF SHEPHERDSTOWN OF NOT MORE THAN FOUR MILLION DOLLARS (\$4,000,000.00) IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS TO BE DESIGNATED "WATER REVENUE BONDS, SERIES 2012 (WEST VIRGINIA INFRASTRUCTURE FUND);" PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A

LOAN AGREEMENT WITH THE WEST VIRGINIA WATER
DEVELOPMENT AUTHORITY ACTING AT THE DIRECTION
OF THE WEST VIRGINIA INFRASTRUCTURE AND JOBS
DEVELOPMENT COUNCIL RELATING TO SUCH BONDS;
AUTHORIZING THE SALE AND PROVIDING FOR THE
TERMS AND PROVISIONS OF SUCH BONDS; AND
ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Ordinance provides for the issuance by the Issuer of not more than Four Million Dollars (\$4,000,000.00) in aggregate principal amount of water revenue bonds in one series (the "Series 2012 Bonds"), and has preliminarily authorized the execution and delivery of a Loan Agreement relating to the Series 2012 Bonds (the "Loan Agreement"), by and between the Issuer and West Virginia Water Development Authority (the "Authority") acting on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), all in accordance with Chapter 8, Article 19 and Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (collectively, the "Act"); and in the Ordinance it is provided that the exact principal amount, date, maturity date, interest rate, interest and principal payment dates, redemption provisions, sale price and other terms of the Series 2012 Bonds should be established by a supplemental resolution pertaining to the Series 2012; and that other matters relating to the Series 2012 Bonds be herein provided for;

WHEREAS, the Series 2012 Bonds shall be on parity with respect to liens, pledges and sources of and security for payment with respect to each other and with respect to the Prior Bonds;

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

WHEREAS, the Series 2012 Bonds are proposed to be purchased by the Authority acting on behalf of the Council pursuant to the Loan Agreement; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the Loan Agreement be finally ratified, approved and entered into by the Issuer, that the exact principal amount, interest rate, date, maturity date, redemption provisions, interest and principal payment dates, sale price and other terms of the Series 2012 Bonds be fixed hereby in the manner stated herein, that the Ordinance be amended as provided herein; and that other matters relating to the Series 2012 Bonds be herein provided for;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE CORPORATION OF SHEPHERDSTOWN:

Section 1. Pursuant to the Ordinance and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Water

Revenue Bonds, Series 2012 (West Virginia Infrastructure Fund) of the Issuer, originally represented by a single bond, numbered R-1, in the principal amount of \$4,000,000. The Series 2012 Bonds shall be dated the date of delivery thereof, shall finally mature on June 1, 2052, shall bear at the rate of one percent (1%) per annum, payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing March 1, 2014, shall be subject to redemption upon the written consent of the Authority and the Council, and upon payment of the interest and redemption premium, if any, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be registered owner of the Series 2012 Bonds, and shall be payable in quarterly installments of principal on March 1, June 1, September 1 and December 1 of each year, commencing March 1, 2014, in the amounts as set forth in the Schedule Y attached to the Loan Agreement and incorporated in and made a part of the Series 2012 Bonds.

Section 2. All other provisions relating to the Series 2012 Bonds and the text of the Series 2012 Bonds shall be as provided in the Ordinance.

Section 3. The Issuer does hereby authorize, ratify, approve and accept the form of the Loan Agreement, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Mayor and the Recorder and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, approved and directed. The price of the Series 2012 Bonds shall be 100% of par value, there being no interest accrued thereon. The proceeds of the Series 2012 Bonds shall be advanced from time to time as requisitioned by the Issuer, and at closing, there shall be requisitioned and advanced a portion of the proceeds of the Series 2012 Bonds in the amount of \$228,878.50, being more than a de minimis amount with respect to the Series 2012 Bonds. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the application to the Council.

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

Section 5. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Series 2012 Bonds under the Ordinance.

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

Section 7. The Series 2012 Bonds proceeds in the amount of \$-0- shall be deposited in the Series 2012 Bonds Sinking Fund as capitalized interest.

Section 8. The Series 2012 Bonds proceeds in the amount of \$-0- shall be deposited in a Series 2012 Bonds Reserve Account.

Section 9. The remaining proceeds of the Series 2012 Bonds shall be deposited in the Series 2012 Bonds Construction Trust Fund as received from time to time for payment of Costs of the Project, and payment of cost of issuance of the Series 2012 Bonds and the reimbursement of the Issuer of any such Costs paid by the Issuer.

Section 10. The Mayor and Recorder are hereby authorized and directed to execute and deliver the Series 2012 Bonds and such other documents, agreements, instruments and certificates required or desirable in connection with the Series 2012 Bonds hereby and by the Ordinance approved and provided for, and to affix thereon the seal of the Issuer, as appropriate, to the end that the Series 2012 Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about July 19, 2012, or as soon thereafter as practicable.

Section 11. The acquisition and construction of the Project and the financing thereof with the proceeds of the Series 2012 Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 12. The Governing Body hereby determines that it is in the best interest of the Issuer to invest all monies in the funds and accounts established by the Ordinance held by the Depository Bank in time deposits of the Depository Bank, secured by a pledge of Government Obligations, and therefore the Issuer hereby authorizes and directs the Depository Bank to take such actions as may be necessary to cause such monies to be invested in such time deposits until further directed by the Issuer. Monies in the Sinking Fund and Reserve Account for the Series 2012 Bonds shall be invested by the Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 13. All contracts relating to the financing, design, acquisition and construction of the Project are hereby approved and the Mayor is hereby authorized and directed to execute and deliver all such contracts.

Section 14. The Issuer hereby approves the costs of issuance and authorizes the payment of the same.

Section 15. The Issuer hereby approves payment of all invoices and bills for the Project which have been received to date from the proceeds of the Series 2012 Bonds or from the contribution being made by the Issuer for a portion of the costs of the Project. The Issuer also hereby approves the reimbursement of the Issuer from the proceeds of the Series 2012 Bonds for any such invoices or bills for the Project previously paid by the Issuer.

Section 16. The Issuer hereby covenants that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Series 2012 Bonds which would cause the Series 2012 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, 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 2012 Bonds) so that the interest on the Series 2012 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 17. Section 7.04 of the Ordinance entitled "Initial Schedule of Rates and Charges" is hereby amended by inserting in the sixth line thereof "June 9, 2009, which rates became effective on" after the word "on" and prior to "July".

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

Adopted this 10th day of July, 2012.

CORPORATION OF SHEPHERDSTOWN



Mayor

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Council of the Corporation of Shepherdstown on the 10th day of July, 2012.

Dated: July 19, 2012.

[SEAL]




Recorder

**UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CORPORATION OF SHEPHERDSTOWN
WATER REVENUE BOND,
SERIES 2012
(WEST VIRGINIA INFRASTRUCTURE FUND)**

No. R-1

\$4,000,000.00

KNOW ALL MEN BY THESE PRESENTS: That 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 West Virginia Water Development Authority (the "Authority") or registered assigns the sum of FOUR MILLION DOLLARS (\$4,000,000.00), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as Exhibit A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing on March 1, 2014, as set forth on the "Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said Exhibit B.

The interest on this Bond shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing March 1, 2014, as set forth on Exhibit B attached hereto. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of the Registrar (as defined in the hereinafter described Bond Legislation) on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may only be redeemed prior to its stated date of maturity in whole or in part but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council") and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, acting on behalf of the Council, dated July 19, 2012.

This Bond is issued (i) to permanently finance a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing public waterworks system of the Issuer, including without limitation the replacement of two existing water storage tanks with two new elevated water storage tanks (the "Project"); and (ii) to pay certain costs of issuance hereof and related costs. The

existing public waterworks system of the Issuer, the Project and any further additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 19 and Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (collectively, the "Act"), and an Ordinance duly enacted by the Issuer on May 8, 2012 and put into effect following a public hearing held on June 12, 2012, and a Supplemental Resolution duly adopted by the Issuer on July 10, 2012 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other securities provided for the Bonds of this Series (the "Bonds") under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH (1) THE WATER REVENUE BONDS, SERIES 2003A (WEST VIRGINIA DWTRF PROGRAM), OF THE ISSUER, DATED JUNE 13, 2003, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF \$699,459 (THE "SERIES 2003A BONDS"); AND (2) THE WATER REVENUE BONDS, SERIES 2003B (WEST VIRGINIA DWTRF PROGRAM), OF THE ISSUER, DATED JUNE 13, 2003, ISSUED IN THE ORIGINAL PRINCIPAL AMOUNT OF \$1,300,541 (THE "SERIES 2003B BONDS" AND, TOGETHER WITH THE SERIES 2003A BONDS, THE "PRIOR BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the System, on a parity with the pledge of the Net Revenues in favor of the holders of the Prior Bonds, and from moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 2012 Bonds Reserve Account"), and unexpended proceeds of the Bonds. Notwithstanding the foregoing, upon the payment in full of the Prior Bonds, this Bond will payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the System, from moneys in the Series 2012 Bonds Reserve Account, and unexpended proceeds of the Bonds, if any. Such Net Revenues (and such Gross Revenues after payment in full of the Prior Bonds) shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon, except from said special fund provided from the Net Revenues (and such Gross Revenues after payment in full of the Prior Bonds), the moneys in the Series 2012 Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a

balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Prior Bonds, provided however, that so long as there exists in the Series 2012 Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

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

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

IN WITNESS WHEREOF, the CORPORATION OF SHEPHERDSTOWN
has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto
affixed and attested by its Recorder, and has caused this Bond to be dated July 19, 2012.

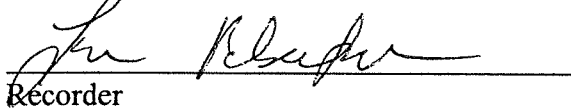
CORPORATION OF SHEPHERDSTOWN

[SEAL]

Mayor

A handwritten signature in cursive script, likely of the Mayor, written over a horizontal line.

ATTEST:

A handwritten signature in cursive script, likely of the Recorder, written over a horizontal line.
Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2012 Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: July 19, 2012.

UNITED BANK, INC.,
as Registrar

By

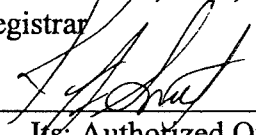

Its: Authorized Officer

EXHIBIT A
RECORD OF ADVANCES

	<u>Amount</u>	<u>Date</u>		<u>Amount</u>	<u>Date</u>
(1)	\$225,843.88	July 19, 2012	(7)	\$	
(2)	\$		(8)	\$	
(3)	\$		(9)	\$	
(4)	\$		(10)	\$	
(5)	\$		(11)	\$	
(6)	\$		(12)	\$	

Total \$ _____

EXHIBIT B**DEBT SERVICE SCHEDULE**

Period Ending	Principal	Coupon	Interest	Debt Service
3/1/2014	\$ 21,326	1.000%	\$ 10,000.00	\$ 31,326.00
6/1/2014	21,379	1.000%	9,946.69	31,325.69
9/1/2014	21,433	1.000%	9,893.24	31,326.24
12/1/2014	21,486	1.000%	9,839.66	31,325.66
3/1/2015	21,540	1.000%	9,785.94	31,325.94
6/1/2015	21,594	1.000%	9,732.09	31,326.09
9/1/2015	21,648	1.000%	9,678.11	31,326.11
12/1/2015	21,702	1.000%	9,623.99	31,325.99
3/1/2016	21,756	1.000%	9,569.73	31,325.73
6/1/2016	21,811	1.000%	9,515.34	31,326.34
9/1/2016	21,865	1.000%	9,460.81	31,325.81
12/1/2016	21,920	1.000%	9,406.15	31,326.15
3/1/2017	21,975	1.000%	9,351.35	31,326.35
6/1/2017	22,030	1.000%	9,296.41	31,326.41
9/1/2017	22,085	1.000%	9,241.34	31,326.34
12/1/2017	22,140	1.000%	9,186.13	31,326.13
3/1/2018	22,195	1.000%	9,130.78	31,325.78
6/1/2018	22,251	1.000%	9,075.29	31,326.29
9/1/2018	22,306	1.000%	9,019.66	31,325.66
12/1/2018	22,362	1.000%	8,963.90	31,325.90
3/1/2019	22,418	1.000%	8,907.99	31,325.99
6/1/2019	22,474	1.000%	8,851.95	31,325.95
9/1/2019	22,530	1.000%	8,795.76	31,325.76
12/1/2019	22,587	1.000%	8,739.44	31,326.44
3/1/2020	22,643	1.000%	8,682.97	31,325.97
6/1/2020	22,700	1.000%	8,626.36	31,326.36
9/1/2020	22,757	1.000%	8,569.61	31,326.61
12/1/2020	22,813	1.000%	8,512.72	31,325.72
3/1/2021	22,870	1.000%	8,455.69	31,325.69
6/1/2021	22,928	1.000%	8,398.51	31,326.51
9/1/2021	22,985	1.000%	8,341.19	31,326.19
12/1/2021	23,042	1.000%	8,283.73	31,325.73
3/1/2022	23,100	1.000%	8,226.12	31,326.12
6/1/2022	23,158	1.000%	8,168.37	31,326.37
9/1/2022	23,216	1.000%	8,110.48	31,326.48
12/1/2022	23,274	1.000%	8,052.44	31,326.44
3/1/2023	23,332	1.000%	7,994.25	31,326.25
6/1/2023	23,390	1.000%	7,935.92	31,325.92

Period Ending	Principal	Coupon	Interest	Debt Service
9/1/2023	\$ 23,449	1.000%	\$ 7,877.45	\$ 31,326.45
12/1/2023	23,507	1.000%	7,818.83	31,325.83
3/1/2024	23,566	1.000%	7,760.06	31,326.06
6/1/2024	23,625	1.000%	7,701.14	31,326.14
9/1/2024	23,684	1.000%	7,642.08	31,326.08
12/1/2024	23,743	1.000%	7,582.87	31,325.87
3/1/2025	23,803	1.000%	7,523.51	31,326.51
6/1/2025	23,862	1.000%	7,464.01	31,326.01
9/1/2025	23,922	1.000%	7,404.35	31,326.35
12/1/2025	23,982	1.000%	7,344.55	31,326.55
3/1/2026	24,042	1.000%	7,284.59	31,326.59
6/1/2026	24,102	1.000%	7,224.49	31,326.49
9/1/2026	24,162	1.000%	7,164.23	31,326.23
12/1/2026	24,222	1.000%	7,103.83	31,325.83
3/1/2027	24,283	1.000%	7,043.27	31,326.27
6/1/2027	24,344	1.000%	6,982.56	31,326.56
9/1/2027	24,404	1.000%	6,921.70	31,325.70
12/1/2027	24,465	1.000%	6,860.69	31,325.69
3/1/2028	24,527	1.000%	6,799.53	31,326.53
6/1/2028	24,588	1.000%	6,738.21	31,326.21
9/1/2028	24,649	1.000%	6,676.74	31,325.74
12/1/2028	24,711	1.000%	6,615.12	31,326.12
3/1/2029	24,773	1.000%	6,553.34	31,326.34
6/1/2029	24,835	1.000%	6,491.41	31,326.41
9/1/2029	24,897	1.000%	6,429.32	31,326.32
12/1/2029	24,959	1.000%	6,367.08	31,326.08
3/1/2030	25,021	1.000%	6,304.68	31,325.68
6/1/2030	25,084	1.000%	6,242.13	31,326.13
9/1/2030	25,147	1.000%	6,179.42	31,326.42
12/1/2030	25,210	1.000%	6,116.55	31,326.55
3/1/2031	25,273	1.000%	6,053.53	31,326.53
6/1/2031	25,336	1.000%	5,990.35	31,326.35
9/1/2031	25,399	1.000%	5,927.01	31,326.01
12/1/2031	25,463	1.000%	5,863.51	31,326.51
3/1/2032	25,526	1.000%	5,799.85	31,325.85
6/1/2032	25,590	1.000%	5,736.04	31,326.04
9/1/2032	25,654	1.000%	5,672.06	31,326.06
12/1/2032	25,718	1.000%	5,607.93	31,325.93
3/1/2033	25,783	1.000%	5,543.63	31,326.63
6/1/2033	25,847	1.000%	5,479.17	31,326.17
9/1/2033	25,912	1.000%	5,414.56	31,326.56
12/1/2033	25,976	1.000%	5,349.78	31,325.78

Period Ending	Principal	Coupon	Interest	Debt Service
3/1/2034	\$ 26,041	1.000%	\$ 5,284.84	\$ 31,325.84
6/1/2034	26,106	1.000%	5,219.73	31,325.73
9/1/2034	26,172	1.000%	5,154.47	31,326.47
12/1/2034	26,237	1.000%	5,089.04	31,326.04
3/1/2035	26,303	1.000%	5,023.45	31,326.45
6/1/2035	26,368	1.000%	4,957.69	31,325.69
9/1/2035	26,434	1.000%	4,891.77	31,325.77
12/1/2035	26,500	1.000%	4,825.68	31,325.68
3/1/2036	26,567	1.000%	4,759.43	31,326.43
6/1/2036	26,633	1.000%	4,693.02	31,326.02
9/1/2036	26,700	1.000%	4,626.43	31,326.43
12/1/2036	26,766	1.000%	4,559.68	31,325.68
3/1/2037	26,833	1.000%	4,492.77	31,325.77
6/1/2037	26,900	1.000%	4,425.69	31,325.69
9/1/2037	26,968	1.000%	4,358.44	31,326.44
12/1/2037	27,035	1.000%	4,291.02	31,326.02
3/1/2038	27,103	1.000%	4,223.43	31,326.43
6/1/2038	27,170	1.000%	4,155.67	31,325.67
9/1/2038	27,238	1.000%	4,087.75	31,325.75
12/1/2038	27,307	1.000%	4,019.65	31,326.65
3/1/2039	27,375	1.000%	3,951.38	31,326.38
6/1/2039	27,443	1.000%	3,882.95	31,325.95
9/1/2039	27,512	1.000%	3,814.34	31,326.34
12/1/2039	27,581	1.000%	3,745.56	31,326.56
3/1/2040	27,650	1.000%	3,676.61	31,326.61
6/1/2040	27,719	1.000%	3,607.48	31,326.48
9/1/2040	27,788	1.000%	3,538.18	31,326.18
12/1/2040	27,857	1.000%	3,468.71	31,325.71
3/1/2041	27,927	1.000%	3,399.07	31,326.07
6/1/2041	27,997	1.000%	3,329.25	31,326.25
9/1/2041	28,067	1.000%	3,259.26	31,326.26
12/1/2041	28,137	1.000%	3,189.09	31,326.09
3/1/2042	28,207	1.000%	3,118.75	31,325.75
6/1/2042	28,278	1.000%	3,048.23	31,326.23
9/1/2042	28,349	1.000%	2,977.54	31,326.54
12/1/2042	28,419	1.000%	2,906.67	31,325.67
3/1/2043	28,491	1.000%	2,835.62	31,326.62
6/1/2043	28,562	1.000%	2,764.39	31,326.39
9/1/2043	28,633	1.000%	2,692.99	31,325.99
12/1/2043	28,705	1.000%	2,621.40	31,326.40
3/1/2044	28,777	1.000%	2,549.64	31,326.64
6/1/2044	28,848	1.000%	2,477.70	31,325.70

Period Ending	Principal	Coupon	Interest	Debt Service
9/1/2044	\$ 28,921	1.000%	\$ 2,405.58	\$ 31,326.58
12/1/2044	28,993	1.000%	2,333.28	31,326.28
3/1/2045	29,065	1.000%	2,260.79	31,325.79
6/1/2045	29,138	1.000%	2,188.13	31,326.13
9/1/2045	29,211	1.000%	2,115.29	31,326.29
12/1/2045	29,284	1.000%	2,042.26	31,326.26
3/1/2046	29,357	1.000%	1,969.05	31,326.05
6/1/2046	29,430	1.000%	1,895.66	31,325.66
9/1/2046	29,504	1.000%	1,822.08	31,326.08
12/1/2046	29,578	1.000%	1,748.32	31,326.32
3/1/2047	29,652	1.000%	1,674.38	31,326.38
6/1/2047	29,726	1.000%	1,600.25	31,326.25
9/1/2047	29,800	1.000%	1,525.93	31,325.93
12/1/2047	29,875	1.000%	1,451.43	31,326.43
3/1/2048	29,949	1.000%	1,376.74	31,325.74
6/1/2048	30,024	1.000%	1,301.87	31,325.87
9/1/2048	30,099	1.000%	1,226.81	31,325.81
12/1/2048	30,175	1.000%	1,151.56	31,326.56
3/1/2049	30,250	1.000%	1,076.13	31,326.13
6/1/2049	30,326	1.000%	1,000.50	31,326.50
9/1/2049	30,401	1.000%	924.69	31,325.69
12/1/2049	30,477	1.000%	848.68	31,325.68
3/1/2050	30,554	1.000%	772.49	31,326.49
6/1/2050	30,630	1.000%	696.11	31,326.11
9/1/2050	30,707	1.000%	619.53	31,326.53
12/1/2050	30,783	1.000%	542.76	31,325.76
3/1/2051	30,860	1.000%	465.81	31,325.81
6/1/2051	30,937	1.000%	388.66	31,325.66
9/1/2051	31,015	1.000%	311.31	31,326.31
12/1/2051	31,092	1.000%	233.78	31,325.78
3/1/2052	31,170	1.000%	156.05	31,326.05
6/1/2052	31,248	1.000%	78.12	31,326.12
	\$ 4,000,000		\$ 824,223.76	\$ 4,824,223.76

ASSIGNMENT

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

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

Dated: _____, 20____.

In the presence of:

Suite 401

(304) 558-3971

FAX: 558-1280

NEW ISSUE REPORT FORM

Date of Report: July 19, 2012

FOR MUNICIPAL BOND COMMISSION USE ONLY:
Documents Required: _____
Transfers Required: _____

RECEIVED

AUG - 3 2012

MBC