DISTRIBUTION LIST

$394,000
CITY OF SPENCER
WATER REVENUE BOND, SERIES 2012

Issuer
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Spencer, WV 25276
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Bond Purchaser
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United States Department of
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CITY OF SPENCER
WATER REVENUE BOND, SERIES 2012

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The Pre-Closing of the sale of $394,000 in aggregate principal amount of City of Spencer, Water Revenue Bond, Series 2012 will take place at the City Municipal Building, 116 Court Street, Spencer, West Virginia, at 10:00 a.m., Eastern Time, on September 11, 2012. The Closing will occur on September 13, 2012.

No transaction shall be deemed to have been completed and no documents shall be deemed to have been delivered unless and until all transactions are complete and all documents are delivered. Any document, which references an Exhibit or Schedule to be attached thereto, shall be considered completed and attached if the referenced Exhibit or Schedule appears elsewhere in this Transcript.

COPY JAN 15 2010

RUS Bulletin 1780-12
(Automated 11-97)

WATER OR WASTE SYSTEM GRANT AGREEMENT

UNITED STATES DEPARTMENT OF AGRICULTURE

RURAL UTILITIES SERVICE

THIS AGREEMENT dated 1/7/2010 between

City of Spencer

a public corporation organized and operating under

Chapter 8 Article 19, West Virginia Code
(Authorizing Statute)

herein called "Grantee," and the United States of America acting through the Rural Utilities Service, Department of Agriculture, herein called "Grantor," WITNESSETH:
WHEREAS

Grantee has determined to undertake a project of acquisition, construction, enlargement, or capital improvement of a (water) (sewer) system to serve the area under jurisdiction at an estimated cost of **$ 1,500,000** and has duly authorized the undertaking of such project.

Grantee is able to finance not more than **$ 394,000** of the development cost through revenues, charges, taxes or assessments, or funds otherwise available to Grantee resulting in a reasonable user charge.

Said sum of **$ 394,000** has been committed to and by Grantee for such project development costs.

Grantor has agreed to grant the Grantee a sum not to exceed **$ 1,106,000** or **73.73%** percent of said development costs, whichever is the lesser, subject to the terms and conditions established by the Grantor. Provided, however, that the proportionate share of any grant funds actually advanced and not needed for grant purposes shall be returned immediately to the Grantor. The Grantor may terminate the grant in whole, or in part, at any time before the date of completion, whenever it is determined that the Grantee has failed to comply with the conditions of the grant.

As a condition of this grant agreement, the Grantee assures and certifies that it is in compliance with and will comply in the course of the agreement with all applicable laws, regulations, Executive orders and other generally applicable requirements, including those set out in 7 CFR 3015.205(b), which hereby are incorporated into this agreement by reference, and such other statutory provisions as are specifically set forth herein.

NOW, THEREFORE, In consideration of said grant by Grantor to Grantee, to be made pursuant to Section 306 (a) of the Consolidated Farm and Rural Development Act the purpose only of defraying a part not to exceed **73.73%** percent of the development costs, as defined by applicable Rural Utilities Service Instructions.

GRANTEE AGREES THAT GRANTEE WILL:

A. Cause said project to be constructed within the total sums available to it, including said grant, in accordance with the project plans and specifications and any modifications thereof prepared by Grantee and approved by Grantor.

B. Permit periodic inspection of the construction by a representative of Grantor during construction.

C. Manage, operate and maintain the system, including this project if less than the whole of said system, continuously in an efficient and economical manner.

D. Make the services of said system available within its capacity to all persons in Grantee's service area without discrimination as to race, color, religion, sex, national origin, age, marital status, or physical or mental handicap (possess capacity to enter into legal contract for services) at reasonable charges, including assessments, taxes, or fees in accordance with a schedule of such charges, whether for one or more classes of service, adopted by ordinance, as may be modified from time to time by Grantee. The initial rate schedule must be approved by Grantor. Thereafter, Grantee may make such modifications to the rate system as long as the rate schedule remains reasonable and nondiscriminatory.

E. Adjust its operating costs and service charges from time to time to provide for adequate operation and maintenance, emergency repair reserves, obsolescence reserves, debt service and debt service reserves.

F. Expand its system from time to time to meet reasonably anticipated growth or service requirements in the area within its jurisdiction.

G. Provide Grantor with such periodic reports as it may require and permit periodic inspection of its operations by a representative of the Grantor.

H. To execute any agreements required by Grantor which Grantee is legally authorized to execute. If any such agreement has been executed by Grantee as a result of a loan being made to Grantee by Grantor contemporaneously with the making of this grant, another agreement of the same type need not be executed in connection with this grant.

I. Upon any default under its representations or agreements set forth in this instrument, Grantee, at the option and demand of Grantor, will repay to Grantor forthwith the original principal amount of the grant stated herein above with the interest at the rate of 5 percentum per annum from the date of the default. Default by the Grantee will constitute termination of the grant thereby causing cancellation of Federal assistance under the grant. The provisions of this Grant Agreement may be enforced by Grantor, at its option and without regard to prior waivers by it previous defaults of Grantee, by judicial proceedings to require specific performance of the terms of this Grant Agreement or by such other proceedings in law or equity, in either Federal or State courts, as may be deemed necessary by Grantor to assure compliance with the provisions of this Grant Agreement and the laws and regulations under which this grant is made.

J. Return immediately to Grantor, as required by the regulations of Grantor, any grant funds actually advanced and not needed by Grantee for approved purposes.

K. Use the real property including land, land improvements, structures, and appurtenances thereto, for authorized purposes of the grant as long as needed.

1. Title to real property shall vest in the recipient subject to the condition that the Grantee shall use the real property for the authorized purpose of the original grant as long as needed.

2. The Grantee shall obtain approval by the Grantor agency for the use of the real property in other projects when the Grantee determines that the property is no longer needed for the original grant purposes. Use in other projects shall be limited to those under other Federal grant programs or programs that have purposes consistent with those authorized for support by the Grantor.

3. When the real property is no longer needed as provided in 1 and 2 above, the Grantee shall request disposition instructions from the Grantor agency or its successor Federal agency. The Grantor agency shall observe the following rules in the disposition instructions:

(a) The Grantee may be permitted to retain title after it compensates the Federal Government in an amount computed by applying the Federal percentage of participation in the cost of the original project to the fair market value of the property.

(b) The Grantee may be directed to sell the property under guidelines provided by the Grantor agency. When the Grantee is authorized or required to sell the property, proper sales procedures shall be established that provide for competition to the extent practicable and result in the highest possible return.
[Revision 1, 04/17/1998]

(c) The Grantee may be directed to transfer title to the property to the Federal Government provided that in such cases the Grantee shall be entitled to compensation computed by applying the Grantee's percentage of participation in the cost of the program or project to the current fair market value of the property.

This Grant Agreement covers the following described real property (use continuation sheets as necessary).

All real property associated with the City of Spencer's water treatment and distribution system.

L. Abide by the following conditions pertaining to equipment which is furnished by the Grantor or acquired wholly or in part with grant funds. Equipment means tangible, non-expendable personal property having a useful life of more than one year and an acquisition cost of $5,000 or more per unit. A Grantee may use its own definition of equipment provided that such definition would at least include all equipment defined above.
[Revision 1, 04/17/1998]

1. Use of equipment.

(a) The Grantee shall use the equipment in the project for which it was acquired as long as needed. When no longer needed for the original project, the Grantee shall use the equipment in connection with its other Federally sponsored activities, if any, in the following order of priority:

(1) Activities sponsored by the Grantor.

(2) Activities sponsored by other Federal agencies.

(b) During the time that equipment is held for use on the project for which it was acquired, the Grantee shall make it available for use on other projects if such other use will not interfere with the work on the project for which the equipment was originally acquired. First preference for such other use shall be given to Grantor sponsored projects. Second preference will be given to other Federally sponsored projects.

2. Disposition of equipment. When the Grantee no longer needs the equipment as provided in paragraph (a) above, the equipment may be used for other activities in accordance with the following standards:

(a) Equipment with a current per unit fair market value of less than $5,000. The Grantee may use the equipment for other activities without reimbursement to the Federal Government or sell the equipment and retain the proceeds.

(b) Equipment with a current per unit fair market value of $5,000 or more. The Grantee may retain the equipment for other uses provided that compensation is made to the original Grantor agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value or proceeds from sale of the equipment. If the Grantee has no need for the equipment and the equipment has further use value, the Grantee shall request disposition instructions from the original Grantor agency.

The Grantor agency shall determine whether the equipment can be used to meet the agency's requirements. If no requirement exists within that agency, the availability of the equipment shall be reported, in accordance with the guidelines of the Federal Property Management Regulations (FPMR), to the General Services Administration by the Grantor agency to determine whether a requirement for the equipment exists in other Federal agencies. The Grantor agency shall issue instructions to the Grantee no later than 120 days after the Grantee requests and the following procedures shall govern:

(1) If so instructed or if disposition instructions are not issued within 120 calendar days after the Grantee's request, the Grantee shall sell the equipment and reimburse the Grantor agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the Grantee shall be permitted to deduct and retain from the Federal share ten percent of the proceeds, for Grantee's selling and handling expenses.

(2) If the Grantee is instructed to ship the equipment elsewhere the Grantee shall be reimbursed by the benefiting Federal agency with an amount which is computed by applying the percentage of the Grantee participation in the cost of the original grant project or program to the current fair market value of the equipment, plus any reasonable shipping or interim storage costs incurred.

(3) If the Grantee is instructed to otherwise dispose of the equipment, the Grantee shall be reimbursed by the Grantor agency for such costs incurred in its disposition.

3. The Grantee's property management standards for equipment shall also include:

(a) Records which accurately provide for: a description of the equipment; manufacturer's serial number or other identification number; acquisition date and cost; source of the equipment; percentage (at the end of budget year) of Federal participation in the cost of the project for which the equipment was acquired; location, use and condition of the equipment and the date the information was reported; and ultimate disposition data including sales price or the method used to determine current fair market value if the Grantee reimburses the Grantor for its share.

(b) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years to verify the existence, current utilization, and continued need need for the equipment.

(c) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated an fully documented.

(d) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.

(e) Proper sales procedures shall be established for unneeded equipment which would provide for competition to the extent practicable and result in the highest possible return.

This Grant Agreement covers the following described equipment (use continuation sheets as necessary).

None

M. Provide Financial Management Systems which will include:

1. Accurate, current, and complete disclosure of the financial results of each grant. Financial reporting will be on an accrual basis.

2. Records which identify adequately the source and application of funds for grant-supported activities. Those records shall contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income.

3. Effective control over and accountability for all funds, property and other assets. Grantees shall adequately safeguard all such assets and shall assure that they are used solely for authorized purposes.

4. Accounting records supported by source documentation.

N. Retain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least three years after grant closing except that the records shall be retained beyond the three-year period if audit findings have not been resolved. Microfilm or photo copies or similar methods may be substituted in lieu of original records. The Grantor and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the Grantee's government which are pertinent to the specific grant program for the purpose of making audits, examinations, excerpts and transcripts.

O. Provide information as requested by the Grantor to determine the need for and complete any necessary Environmental Impact Statements.

P. Provide an audit report prepared in accordance with Grantor regulations to allow the Grantor to determine that funds have been used in compliance with the proposal, any applicable laws and regulations and this Agreement.

Q. Agree to account for and to return to Grantor interest earned on grant funds pending their disbursement for program purposes when the Grantee is a unit of local government. States and agencies or instrumentality's of states shall not be held accountable for interest earned on grant funds pending their disbursement.

R. Not encumber, transfer or dispose of the property or any part thereof, furnished by the Grantor or acquired wholly or in part with Grantor funds without the written consent of the Grantor except as provided in item K above.

S. To include in all contracts for construction or repair a provision for compliance with the Copeland ``Anti-Kick Back'' Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR, Part 3). The Grantee shall report all suspected or reported violations to the Grantor.

T. To include in all contracts in excess of $100,000 a provision that the contractor agrees to comply with all the requirements of the Clean Air Act (42 U.S.C. §7414) and Section 308 of the Water Pollution Control Act (33 U.S.C. §1318) relating to inspection, monitoring, entry, reports, and information, as well as all other requirements specified in Section 114 of the Clean Air Act and Section 308 of the Water Pollution Control Act and all regulations and guidelines issued thereunder after the award of the contract. In so doing the Contractor further agrees:
[Revision 1. 11/20/1997]

1. As a condition for the award of contract, to notify the Owner of the receipt of any communication from the Environmental Protection Agency (EPA) indicating that a facility to be utilized in the performance of the contract is under consideration to be listed on the EPA list of Violating Facilities. Prompt notification is required prior to contract award.

2. To certify that any facility to be utilized in the performance of any nonexempt contractor subcontract is not listed on the EPA list of Violating Facilities pursuant to 40 CFR Part 32 as of the date of contract award.

[Revision 1, 11/20/97]

3. To include or cause to be included the above criteria and the requirements in every nonexempt subcontract and that the Contractor will take such action as the Government may direct as a means of enforcing such provisions.

As used in these paragraphs the term ``facility'' means any building, plan, installation, structure, mine, vessel or other floating craft, location, or site of operations, owned, leased, or supervised by a Grantee, cooperator, contractor, or subcontractor, to be utilized in the performance of a grant, agreement, contract, subgrant, or subcontract. Where a location or site of operation contains or includes more than one building, plant, installation, or structure, the entire location shall be deemed to be a facility except where the Director, Office of Federal Activities, Environmental Protection Agency, determines that independent facilities are co-located in one geographical area.

Grantor Agrees That It:

A. Will make available to Grantee for the purpose of this Agreement not to exceed **$1,106,000.00**. which it will advance to Grantee to meet not to exceed **73.73%** percent of the project development costs of the project in accordance with the actual needs of Grantee as determined by Grantor.

B. Will assist Grantee, within available appropriations, with such technical assistance as Grantor deems appropriate in planning the project and coordinating the plan with local official comprehensive plans for sewer and water and with any State or area plans for the area in which the project is located.

C. At its sole discretion and at any time may give any consent, deferment, subordination, release, satisfaction, or termination of any or all of Grantee's grant obligations, with or without valuable consideration, upon such terms and conditions as Grantor may determine to be (1) advisable to further the purpose of the grant or to protect Grantor's financial interest therein and (2) consistent with both the statutory purposes of the grant and the limitations of the statutory authority under which it is made.

Termination of This Agreement

This Agreement may be terminated for cause in the event of default on the part of the Grantee as provided in paragraph I above or for convenience of the Grantor and Grantee prior to the date of completion of the grant purpose. Termination for convenience will occur when both the Grantee and Grantor agree that the continuation of the project will not produce beneficial results commensurate with the further expenditure of funds.

In witness whereof Grantee on the date first above written has caused these presence to be executed by its duly authorized

_____

and attested and its corporate seal affixed by its duly authorized

City Clerk

Attest:

By: Annette Sanchez

Annette Sanchez

(Title) **City Clerk**

By: _____

(Title) Mayor

UNITED STATES OF AMERICA

RURAL UTILITIES SERVICE

By: Virginia McDonald

VIRGINIA M. McDONALD, Area Specialist (Title)

9/13/12

$394,000
CITY OF SPENCER
WATER REVENUE BOND, SERIES 2012

CERTIFICATE OF CITY AS TO AUTHENTICITY OF CHARTER

We, the undersigned, duly elected and appointed Mayor and Recorder of the City of Spencer (the "Issuer"), hereby certify that the attached City Charter of the Issuer, as passed by the West Virginia Legislature on February 20, 1917, Senate Bill 246, Chapter 121 of the Code of West Virginia, as passed on January 29, 1921, Senate Bill 58, Chapter 25 of the Code of West Virginia, and as passed on March 9, 1933, House Bill 282, Chapter 133 of the Code of West Virginia, is still in full force and effect.

WITNESS our signatures and the official seal of the City of Spencer as of the 13th day of September, 2012.

CITY OF SPENCER

(SEAL)

Mayor

Recorder

CHAPTER 25

(Senate Bill No. 58—Accompanying the Governor's Message.)
(Emergency Measure.)

AN ACT creating the municipal corporation of "The City of Spencer", defining the boundaries thereof, and providing for the government of such city and defining its powers and liabilities.

[Passed January 25, 1921. In effect from passage. Approved by the Governor January 25, 1921.]

Sec.
1. The City of Spencer.
2. Boundaries.
3. To be governed in manner; assume powers, duties and liabilities, including election of officers; and be vested with powers contained in present charter of "Town of Spencer." Present officers of said town shall become and be officers until respective terms thereof would have expired as officers of said town.
4. Power to acquire real estate, interest and easements by condemnation proceedings.
5. City to succeed to all rights and liabilities of "Town of Spencer" and Town of Alvord"; charter of "Town of Alvord" being hereby repealed.
6. Charter not to interfere or abridge powers and liabilities of county to maintain roads thru streets; nor to maintain bridges as county bridges.
7. Provisions for a referendum vote upon petition of citizens; ballots; notice of election.

Be it enacted by the Legislature of West Virginia:

Section 1. That the inhabitants of that part of Roane county in the state of West Virginia, included in the boundary set out in section two of this act, be and they are hereby made a municipal corporation by the name of "The City of Spencer", by which name they shall have perpetual succession and a common seal, and by which name they may sue and be sued, plead and be impleaded, contract and be contracted with, and purchase, otherwise acquire, and hold real estate and personal property needed in the discharge of the functions of government conferred by this act.

Sec. 2. The corporate boundaries of the city shall be as follows, that is to say: Beginning at a sycamore on south bank of Tanners Run; thence south 7½ degrees west 594 feet; south 16 degrees west 140.25 feet; north 80 degrees west 52.8 feet; south 17 west 234.3 feet; south 10 west 119.6 feet; south 20 west 660 feet to iron pin and stone markers on south bank of Joes Run; thence southeast direction with said run 491.7 feet; south 42 degrees west 650 feet to a three-pronged elm; thence south 33 degrees west 636 feet to slippery elm on south bank of Bens Run; thence south 70 degrees east 435 feet to Holswade addition; thence south 46 degrees east 633 feet to corner to Byron Holswade lot; thence south 40 degrees west 183 feet to another corner of said lot; thence south 22 degrees east 587 feet to northeast

corner of concrete bridge across Spring Creek; thence with said creek north 81½ degrees 700 feet to line of state hospital property; thence with the same, north 37 degrees east 264 feet; north 8½ east 247.5 feet; north 11½ west 462 feet; north 23 west 132 feet; north 40 west 495 feet; north 29 east 462 feet to Spring Creek; north 37 east 825 feet; north 43 east 607.5 feet; north 47½ east 214.5 feet; north 65 east 561 feet to a point 110 feet below elm toward bridge; north 37 west 210 feet to a stake at east corner of F. Mace's house; thence north 43 east 40 feet; south 37 east 377 feet; north 22 east 378 feet; north 22 west 728 feet; south 89 east 1677.5 feet; north 33½ west 907.5 feet; north 55 east 44 feet; north 23 west 189.75 feet; north 35 west 366.3 feet; south 51 west 69.3 feet; north 37 west 660 feet; north 55 west 99 feet; south 30 west 49.5 feet; north 60 west 231 feet; north 43 west 891 feet, crossing Spring Creek, county road and railroad; south 46 west 348 feet; south 43 west 343 feet; north 57 west 335 feet; south 64 west 619 feet to corner of the Jesse Tanner survey; thence north 7½ west 170 feet; north 59 west 124 feet; south 42 west 387 feet to concrete road; north 65 west 1577 feet to white oak, corner of Goff, Fisher and A. Gallatin survey; thence south 12 east 700 feet to falls in Tanners Run, south bank; thence meandering said run and with the south bank thereof, about 1700 feet, to the place of beginning.

Sec. 3. Said city shall be governed in the same manner, by the same laws, have the same powers, and perform the same duties and functions as "The Town of Spencer" immediately before this act shall take effect was governed by, had, could do, or might perform; and the powers, duties and liabilities, including the election of officers and the selection, appointment and qualification thereof, of and for said city, shall in all respects be the same as those exercised by "The Town of Spencer" and which it is liable for under the charter and laws defining all such duties, powers and liabilities thereof, immediately before this act shall take effect. And said city is also vested with all of the powers contained in the charter for "The Town of Spencer" and amendments thereto, and with those contained in chapter forty-seven of the code of West Virginia and the general laws of said state relating to the powers, duties and liabilities of municipal corporations, in so far as the same are not in conflict with said charter and amendments thereto; and said city shall be governed by said char-

ter and laws and derive its powers therefrom, and from the ordinances and by-laws of said town now in force which are not in conflict with or repugnant to said charter and the laws of said state relating to municipal corporations. And said city may, at any time, by resolution duly adopted by its council, change any and all of its ordinances and by-laws, or repeal the same, and adopt any others and be governed by and enforce the same, provided the same are not in conflict with or repugnant to said charter and amendments thereto, or of the laws of said state.

And the duties, powers and liabilities of the officers of said city, and the election and tenures of office of said officers, shall be the same as the officers of "The Town of Spencer" which are in office immediately before the passage of this act, and all officers of said town at the time this act shall go into effect shall thereupon become and be the officers of said city and continue in office and perform the same duties and have the same powers as such until their respective terms thereof would have expired as the officers of said town.

Sec. 4. Said city shall have the power to acquire real estate, interests and easements therein and ways over the same, by purchase, gift and condemnation, for the use of the city for roads, streets, alleys, ways, and public buildings and grounds therein; and in like manner may acquire real estate, interests and easements therein and ways over the same for sewers and drains in said city, and the discharge from such sewers and drains and for the disposal of sewerage, both within and outside of said city and within one mile thereof. But the manner of procedure in the condemnation of any such property, interests or easements therein, or ways over the same, shall conform as nearly as practicable to the provisions of law of said state in respect to the condemnation of such property and interests therein. And said city may, in the construction of any such sewers or drains, and the disposition of the discharge therefrom, and in the acquisition of property for the construction thereof, in any of the ways herein provided, join with another or others in all or any of such matters, if in the opinion of the majority of the council of the city it be advantageous for the city to so join, whether the means provided for the acquisition of such property and the construction of such drains or sewers, or both, and the disposal of the discharge there-

from, be obtained by direct levy upon the property and inhabitants of said city, or by both means.

Sec. 5. Said city shall succeed to all the rights and liabilities of "The Town of Spencer" and "The Town of Alvord". And the charter of "The Town of Alvord" is hereby repealed and revoked. Said city shall become and be liable for all debts and obligations of said two towns the same, and in the same manner, whether such debts and obligations be bonded indebtedness or not, as if the same has been incurred by said city in its corporate name. And all property, funds and effects of each of said towns shall become and be the property, funds and effects of said city, from the time this act becomes effective.

Sec. 6. No provision herein contained shall interfere with or abridge or limit the powers and liabilities of said county, or other governmental agency as is or may be provided by law, to construct and maintain over the streets in said city heretofore designated as class A roads, such roads; nor with the right of said county to maintain the bridges in the city as county bridges, or to construct new ones therein; nor shall this charter alter, change, or in any way relieve said county in the maintenance and erection of any such bridges, or its liability in respect thereto.

Sec. 7. This act shall take effect from its passage, unless within ten days from the passage thereof, a petition signed by at least one hundred free-holders residing within the corporate limits of said city as fixed by section two hereof, be filed before the council of "The Town of Spencer" requesting such council to call an election for the purpose of permitting the duly qualified voters in said city to vote upon the question of whether or not this act shall be rejected or remain in force. And if such petition be filed within said period of time, said council shall thereupon call an election to be held at such place and time as it may designate, and by such election officers as it may name, and with or without registration of the voters as it may determine; and shall provide ballots, poll-books and tally sheets for the holding of such election. Said ballots shall be in effect as follows: "Spencer Charter Ballot. For ratification. For rejection." With a square before each of the two propositions to be voted on, wherein the voter may make a cross indicating for which he has voted. And unless a majority of all the votes cast at said election be for the rejection of said act as indicated by the placing of a cross before the propo-

sition. "For Rejection", said act shall be and continue in full force and effect according to the terms thereof as herein provided. A notice of such election with the form of ballot to be voted, together with such other information as the council may deem proper to include therein, shall be published for at least one week prior to said election in each of the two newspapers published in said city, if such newspapers will publish such notice for the usual fees for the publication of similar notices.

CHAPTER 26

(House Bill No. 839—Mr. McClintic, of Kanawha.)

AN ACT to amend and re-enact section fifty-one and section fifty-two of the acts of the legislature, regular session one thousand nine hundred and nineteen, entitled "An act to incorporate the town of South Charleston, in Kanawha county, West Virginia, fixing its corporate limits and prescribing and defining the powers and duties of said town and the officers of same."

Passed April 29, 1921. In effect from passage. Approved by the Governor, May 4, 1921.]

SEC.
1-a. Said town authorized to issue bonds; for public improvements etc., "existing indebtedness;" additional bonds.
(b) Council; duty to certify such assessments to treasurer for collection, etc.
(c) Amounts so assessed, how paid, interest on; lien on property.
(d) Procedure on refusal to pay same.
(e) Release of liens; town to pay for all permanent improvements.
(f) Council, to acquire or take land for street purposes, etc.; certificates; when payable; contracts.
52. Payments by land owners for street improvements.

Be it enacted by the Legislature of West Virginia:

That section fifty-one, and section fifty-two, of chapter one, of the acts of the legislature at its regular session, one thousand nine hundred and nineteen, be amended and re-enacted as follows:

Section 51. (a) Said town of South Charleston is hereby authorized to issue its bonds for the purpose of providing for the cost of grading, paving and curbing, or macadamizing, or otherwise permanently improving the avenues, streets, roads and alleys of the said town, in anticipation of special assessment to be made upon the property abutting upon the avenues, streets, roads and alleys so improved. Said bonds may be in such an amount as shall be sufficient to pay the entire costs and expenses of said

Section 10. On the first Tuesday in April, one thousand nine hundred thirty-four, and every four years thereafter, there shall be elected by the qualified voters of said town of South Charleston a mayor, recorder and six councilmen; the term of office of said mayor, recorder and councilmen shall be for the period of four years, beginning on the first day of May, next after their election and until their successors shall be elected and qualified.

Sec. 13. The first election under this act shall be held on the first Tuesday in April, one thousand nine hundred thirty-four, and on the same day every four years thereafter. Such election and all subsequent elections shall be held in such manner as is or shall be prescribed by law.

All acts and parts of acts inconsistent with any of the provisions of this act are hereby repealed.

CHAPTER 133

(House Bill No. 282—By Mr. Wells)

AN ACT to amend and reenact section three, chapter twenty-five, acts of the legislature, one thousand nine hundred twenty-one (municipal charters), being senate bill number fifty-eight, entitled "a bill creating the municipal corporation of the City of Spencer, defining the boundaries thereof and providing for the government of such city, and defining its powers and liabilities," relating to the tenure of office of the mayor and councilmen of the City of Spencer in the county of Roane.

[Passed March 9, 1933; in effect from passage. Became a law without the approval of the Governor.]

SEC.
3. City and its officers to succeed to all powers and duties of the town of Spencer and its officers; terms of officers; vote of people on change of length of term.

Be it enacted by the Legislature of West Virginia:

That section three, chapter twenty-five, acts of the legislature, one thousand nine hundred twenty-one (municipal charters), being senate bill number fifty-eight, be amended and reenacted to read as follows:

Section 3. Said city shall be governed in the same manner, by the same laws, have the same powers, and perform the same

duties and functions as "The Town of Spencer" immediately before this act shall take effect was governed by, had, could do or might perform; and the powers, duties and liabilities, including the election of officers and the selection, appointment and qualification thereof, of and for said city, shall in all respects be the same as those exercised by "The Town of Spencer," and which it is liable for under the charter and laws defining all such duties, powers, and liabilities thereof, immediately before this act shall take effect. And said city is also vested with all of the powers contained in the charter for "The Town of Spencer," and amendments thereto, and with those contained in chapter forty-seven of the code of West Virginia and the general laws of said state relating to the powers, duties and liabilities of municipal corporations, insofar as the same are not in conflict with said charter and amendments thereto; and said city shall be governed by said charter and laws and derive its powers therefrom, and from the ordinances and by-laws of said town now in force which are not in conflict with or repugnant to said charter and the laws of said state relating to municipal corporations. And said city may, at any time, by resolution duly adopted by its council, change any and all of its ordinances and by-laws or repeal the same, and adopt any others and be governed by and enforce the same, provided the same are not in conflict with or repugnant to said charter and amendments thereto, or of the laws of said state.

And the duties, powers and liabilities of the officers of the City of Spencer shall be the same as the officers of "The Town of Spencer," which were in office immediately before the passage of said act, and the mayor and councilmen shall be elected by the registered voters of said city, and (except when elected to fill vacancies) for the term of two years and until their successors shall have been elected and qualified, and said mayor and councilmen shall be residents of said city and shall be entitled to vote for members of its common council at the time of their respective election. The first election under this act shall be held on the fourth Thursday in March, one thousand nine hundred thirty-three, in the city hall in said city under the supervision of the present mayor and councilmen of said city; and each two years thereafter there shall be held an election on the same day at the same place and under the supervision of the

councilmen of said city, the mayor and councilmen conducting said elections shall grant certificates to the officers elected, which shall be entered upon the records with the ordinances of said council, and the term of office of said mayor and councilmen so elected shall commence on the first day of April, next after their election, and shall continue for a term of two years thereafter, or until their successors are elected; and said officers, when elected, shall have the same duties and have the same powers as the mayor and councilmen of said city had prior to the passage of this act.

This bill shall be ratified by the voters of the City of Spencer.

There shall be printed on the bottom of each ticket:

☐ For two-year term.

☐ Against two-year term.

And a majority vote shall determine the time.

CHAPTER 134

(Senate Bill No. 175—By Mr. Paull)

AN ACT to amend and reenact section thirty-five, chapter eighty-two of the acts of the legislature, regular session one thousand nine hundred thirty-one, relating to the charter of the city of Wellsburg.

[Passed March 11, 1933; in effect from passage. Became a law without the approval of the Governor.]

Sec.
35. When city taxes may be collected semi-annually; dates when due, discounts and interest.

Be it enacted by the Legislature of West Virginia:

That section thirty-five, chapter eighty-two of the acts of the legislature, regular session one thousand nine hundred thirty-one, be amended and reenacted to read:

Section 35. The city collector and treasurer shall begin the collection of taxes upon the first day of October of each year. When the taxes of any one person or corporation amount to a sum greater than ten dollars, one-half of said taxes may be collected during the month of October in the year for which

	Acts of Year	Chapter	Section	Page
TH WHEELING:				
ter granted March 31, 1851				
Amending charter of town of (trustees and power to levy poll tax)	1866	125	6, 8	121
ISH-AMERICAN WAR FUND:				
vernor trustee of, investment, payment of claims, use of funds, etc.	1943	66	1	228
IAL POLICE DEPUTIES:				
eriffs authorized to appoint, during war	1917-2d Ex.	9	1-6	48
NCER:				
ending and reenacting charter of own of	1867	41	1-24	46
Amended	1868	172	1, 17, 18, 19	142
Charter granted city of	1917	121	1-61	481
Incorporating city of	1921 M. Ch.	25	1-7	607
Amended (Terms of officers)	1933	133	3	482
rd of Education of independent hool district of, authorized to ansfer school funds	1933	92	1	216
yor and council of town of, uthorized to remove remains of he dead from the McKown burying ground, to reinter the same in he Spencer cemetery, and to sell aid ground	1899	35	1-3	121
vn of, allowed to attach water ains to the water works of hospital for the Insane, to be used in ase of fire	1903	60	1	172
NCER DISTRICT, ROANE COUNTY:				
horized to transfer school funds	1933	92	1	216
ncer Water and Ice Company authorized to construct dam or dams cross Spring Creek, in Roane County	1927	183	1-3	344
ncer Independent school district reated	1872	52	1-9	88
Amended (Boundaries of district)	1877	71	1	96

include not only the issuance of bonds for the purpose of paving or sewering, or both, but it may include any other purpose; *provided*, such ordinance shall comply with sub-division six of section forty-nine-*b*, chapter forty-seven, code of one thousand nine hundred and thirteen, aforesaid.

CHAPTER 121.

(Senate Bill No. 246.)

AN ACT to incorporate the city of Spencer, in the county of Roane, state of West Virginia, fixing its corporate limits and prescribing and defining the powers and duties of said city and the officers of same.

[Passed February 20, 1917. In effect ninety days from passage. Became a law without the Governor's approval.]

Sec.
1. City of Spencer; liability as to debt.
2. Boundary lines; corporate limits.
3. Power to enact and enforce ordinances.
4. Power to construct, condemn, purchase, etc.
5. May receive bequests, etc.
6. Extent of legislative, executive and judicial powers.
7. Ordinances that shall remain in force.
8. Elective officers and terms.
9. Qualification of commissioners.
10. Compensation of commissioners.
11. Shall take oath of office.
12. Commissioners to give bond.
13. Mayor, duties of.
14. Mayor shall have supervision of health department.
15. Police judge, duties of.
16. City clerk.
17. Board of commissioners.
18. Each commissioner to engage in actual work of office.
19. Right of appeal to aggrieved person.
20. Number and salary of officers, etc.
21. Selection of appointive officers; who.
22. Removal from, or forfeiture of office.
23. City depository.
24. Deposits to be secured by bond.
25. Power to acquire and sell property.
26. Legislative department.
26-a. Restrictions as to granting franchise.
27. Power to fill vacancy.
28. Determine rules of procedure.
29. Time for holding meetings.
30. Quorum.
31. Style of ordinances.
32. Ordinance to embrace but one subject.
33. Ordinances shall take effect.
34. Provision for emergency ordinances.
34-a. Municipal code.
35. Judicial department.
36. Police court.
37. Ordinances, how enforced.
38. Fine, imprisonment, work on the streets.
39. Fines, etc., to be the property of the city.
40. Style of process.
41. Power of commission to remit fines.
42. Appeal to circuit court.
43. Elections.
44. Revenue.
45. Licenses may be required.
46. City taxes, how collected.
47. Lien on real estate for taxes thereon.
48. Revenues that may be placed in general fund.
49. General provisions.
50. Labor and material to be used.
51. *Prima facie* evidence to be used in court.
52. Claims against city to be approved.
53. Removal under general laws.
54. Commissioners may administer oaths.
55. Liability for improper payment.
56. Conservator of the peace.
57. Fiscal year.
58. Term of officers of Spencer and Alvord terminate, except.
59. City to be divided into wards.
60. This act to be ratified by the voters; form of ballot.
61. Inconsistent acts repealed.

Be it enacted by the Legislature of West Virginia:

Section 1. That the inhabitants of so much of the county of Roane, as is within the boundaries prescribed by section two

of this act, and their successors, shall be, and they are hereby made a body politic and corporate, by the name and style of "The City of Spencer," and as such, and by that name may contract and be contracted with, sue and be sued, plead and be impleaded, answer and be answered unto, and make purchase, take, receive, hold and use goods and chattels, lands and tenements and choses in action or any interest, right or estate therein, either for the proper use of said city, or in trust for the benefit of any person or corporation therein; and the same may grant, sell, convey, transfer, let and assign, pledge, mortgage, charge and encumber in any case, and in any manner, in which it would be lawful for a private individual so to do, subject to the limitations and provisions of the constitution of the state of West Virginia; and may have and use a common seal, and alter and remove the same at pleasure; and generally shall have all the rights, franchises, capacities and powers appertaining to like corporations in this state, and shall have and succeed to all powers, franchises and immunities, rights and privileges, which were conferred upon or belonged or appertained to the town of Spencer and the town of Alvord in Roane county, by virtue of any act or acts of the legislature of this state heretofore passed, or which may have been conferred upon said two towns, or either of them, by the constitution and laws of this state; and "The City of Spencer" shall have all the rights, privileges, capacities and powers provided by chapter forty-seven of the code of West Virginia, as contained in the edition edited and compiled by Charles E. Hogg, known and cited as "Code 1913," and for which provision is not herein otherwise expressly made; and "The City of Spencer" shall be liable for all debts and obligations for which the present corporations known as "The Town of Spencer" and "The Town of Alvord" are now legally bound.

Sec. 2. The corporate limits of said city shall hereafter be as follows: Beginning at west end of bridge on Arnoldsburg pike, at northwest corner, thence S. 51 50' E 205 feet; to point at east abutment to said bridge; thence S 35 25' E 107 feet, to point on east side of cement road; thence S 10 5' E 85 feet, to point at oak tree east side of road; thence S 28 50' W 187 feet, to point on east side of road; thence S 28 W 107 feet, to point on east side of road; thence S 11 35' E 44 feet, to point on east side of road; thence S 46 E 432 feet, to point on east side of road; then S 70 15' E 197 feet, to point on east side of road; thence S 54 E 189

feet, to point on east side of road; thence S 56 40' 586 feet, to point on east side of road; thence S 81 15' E 338 feet, to point on east side of road; thence N 24 40' E 1013 feet, to point on hill; thence N 8 15' W 545 feet, to a hickory tree, thence N 4 4' W 1221 feet, to a point on top of hill; thence N 57 W 453 feet, to a point on top of hill; thence N 38 25' W 171 feet, to a point on top of hill; thence N 42 30' W 303 feet, to a point on top of hill; thence N 21 5' W 276 feet, to a black oak above corner; thence N 42 W 1450 feet, to a point at beech stump; thence N 36 50' W 443 feet, to a point in road at large stone; thence N 59 W 488 feet, to a point on east side of Spring creek; thence N 77 45' W 865 feet, to a stake at foot bridge; thence N 50 45' W 83 feet, to sycamore tree; thence S 85 35' W 3880 feet, to a point west of concrete road; thence S 63 5' W 296 feet, to a chestnut tree; thence S 3 20' W 2864 feet, to an oak tree east side of Tanner's run road; thence N 87 10' W 274 feet, to a rock point; thence S 2 45' E 1060 feet, to a hickory tree; thence S 74 20' W 315 feet, to a point in fence line; thence S 46 30' E 1520 feet, to a point in line; thence S 27 E 370 feet, to a point in line; thence S 89 5' E 290 feet, to a point in line; thence S 71 30' E 321 feet, to a point in line; thence S 51 45' E 489 feet, to a point in line; thence S 86 E 156 feet, to a point in line; thence S 87 E 220 feet, to a point in line; thence N 43 20' E 90 feet to a point by Miller's house; thence S 41 5' E 52 feet, to a point at side walk; thence N 50 25' E 83 feet, to a point on creek bank; thence S 38 E 196 feet, to a point in street; thence S 5 30' E 68 feet, to a point on the east side of Spring creek; thence down Spring creek with meanderings thereof on the north side 2598 feet, to the beginning, containing about nine hundred acres, as surveyed January twenty-fifth, one thousand nine hundred and seventeen.

Sec. 3. The city of Spencer shall have power to enact and enforce all ordinances necessary to protect health, life and property and to prevent and summarily abate and remove nuisances and to preserve and enforce good government and order for the security of the city and its inhabitants; to enact and enforce all ordinances upon any subject; *provided*, that no ordinance shall be enacted inconsistent with the general laws of this state, the state constitution or this charter.

Sec. 4. The city of Spencer shall have power, within and without its territorial limits, to construct, condemn and purchase, acquire, lease, improve, add to, maintain and conduct and

operate water works, light plants, power plants, heating plants, incinerating plants, local in use, and everything required therefor for the use of said city and the inhabitants thereof, and any such systems, plants, works or ways or any contracts in relation thereto or in connection therewith that may exist and which said city may desire to purchase may be purchased or acquired by said city, which may enforce such purchases by proceedings at law or in equity by right of eminent domain, and said city shall have the power to issue bonds upon a vote of the taxpaying electors at any special or general election in any amount necessary to carry out any of said powers or purposes, said amount being limited only by the constitution and the laws of the state of West Virginia and by other provisions in this charter.

Provided, however, that the power to condemn shall not be exercised for the purpose of acquiring such utilities now existing and operating under franchises granted by the town of Spencer or the town of Alvord, except under the terms of said franchise.

Sec. 5. Said city may receive bequests and gifts of all kinds of property in fee simple or in trust for charitable and public purposes, and perform all acts necessary to carry out the purposes of said gifts, bequests, or trusts, with power to manage, sell, lease, or otherwise dispose of the same in accordance with the terms of such gifts, bequests or trust.

Sec. 6. The legislative, executive and judicial powers of the city shall extend to all matters of local and municipal government, it being the intent hereof that the specification of particular powers by any other provision of this charter shall never be construed as limiting or impairing the effect of the general grant of powers hereby made.

Sec. 7. All existing ordinances of the town of Spencer not inconsistent with this charter or inapplicable under the altered form of municipal government provided by this charter, shall be and continue in full force and effect as ordinances of the city of Spencer, until amended or repealed or until they expire by their own limitations; and no existing right, action (civil or penal), suit or proceedings, or contracts, shall be effected in the change of the form of government of the territory set out in section two of this act; but all shall continue as though no such change had taken place; and all debts, penalties and forfeitures which have accrued, or which may hereafter accrue by virtue of anything heretofore done or existing, shall inure to the benefit of the city and

may be sued for and recovered by said city as though this charter had not been adopted. Nothing herein, however, shall legalize or make legal any invalid indebtedness of the town of Spencer or the town of Alvord heretofore contracted or incurred or impair any defense against the payment of the same; nor shall the adoption of this charter in any wise interfere with any proceedings heretofore instituted relating to the levy and collection of taxes, special assessments, or levies of any nature, or with any proceedings to enforce the payment of the same, and all contracts heretofore entered into by the town of Spencer and the town of Alvord shall remain in full force and effect and be completed under ordinances existing at the time of the adoption of this charter.

Sec. 8. The elective officers of this city shall be three commissioners, namely, the mayor, who is commissioner of public affairs, the police judge, who is commissioner of public justice, and the city clerk, who is commissioner of public accounts and finances, who shall be nominated and elected at large by the qualified electors of the city of Spencer, for a term of three years and until their successors are elected and qualified: *provided*, that the commissioners elected at the first election under this charter shall assume the duties of their respective offices on the first Monday after their election and their terms of office shall expire as follows: The term of office of the mayor and commissioner of public affairs first elected under this charter shall expire on the first Monday in May, one thousand nine hundred and eighteen; the term of the office of the police judge and commissioner of public justice first elected under this charter shall expire on the first Monday in May, one thousand nine hundred and nineteen; and the term of office of the city clerk and commissioner of public accounts and finances first elected under this charter shall expire on the first Monday in May, one thousand nine hundred and twenty.

Sec. 9. Each commissioner must be at least twenty-five years of age, an elector of the city, not in litigation with the city nor in arrears for city taxes when elected, and not the owner of stock or bonds of any public service corporation doing business in the city, and must for one year next preceding the date of his election have been a *bona fide* resident and taxpayer of the city of Spencer; *provided*, that at the first election held under this charter this provision as to residence shall be construed so as to make qualified to hold the office of commissioner any person possessing the quali-

fications required by this section who shall have been a *bona fide* resident and taxpayer for one year next preceding his election within the boundaries set out in section two of this act. The police judge and commissioner of public justice must be a licensed attorney.

Sec. 10. The compensation of each commissioner shall be thirty-five dollars per month, payable monthly; *provided*, that a larger or smaller salary may be paid when the amount shall first be fixed by a majority vote of all the votes of the city of Spencer cast at a regular annual general election held in said city.

Sec. 11. Each commissioner and all other officers of the city, shall, before entering upon the discharge of the duties of their office, take and subscribe the oath of office prescribed for county officers in this state, and in addition thereto shall also take an oath that he is not under direct or indirect obligation or promise to appoint any person to office, position or employment under the city government.

Sec. 12. Each commissioner, as such, shall give a good and sufficient bond for the faithful performance of the duties of his office, in the sum of three thousand five hundred dollars, payable to the city of Spencer, for the use and benefit of said city, and to be executed by some surety company duly licensed to do business in this state or by not less than two good and sufficient sureties, in such form as the board of commissioners may require, and to be approved by the other two commissioners; and each of said commissioners shall give such additional bond, as the board of commissioner may by ordinance require, the cost of such additional bond to be paid by the city; and all other officers and employees shall give such bond as may by ordinance be required.

Sec. 13. The mayor, as such, shall be the chief executive officer of the city, and chairman of the board of commissioners, and when present shall preside at all meetings of the board. And, in addition to other duties imposed upon him by state and municipal laws and the board of commissioners, shall sign the commissions of all appointive officers, shall endorse the approval of all official bonds when same shall be approved by the commissioners, sign all warrants and orders drawn upon the commissioner of public accounts and finances for money, sign all bonds, contracts, conveyances and other written obligations of the city and all ordinances passed by the board of commissioners, and shall cause each of the above enumerated writings to be attested by the commissioner of

public accounts and finances as clerk of the board under the seal of the city.

Sec. 14. The mayor, as commissioner of public affairs, shall have supervision of the health department and department of sanitation; he shall also have charge and be superintendent of the department of public affairs, which shall include water works, parks, libraries, cemeteries, public service corporations, operating under a city franchise; the opening, grading, paving, lighting, cleaning, repairing and sprinkling of streets, sewers, viaduct and bridge construction, side-walks and crossings, and the city engineering department, and shall have charge of all other municipal property not delegated to other departments. He shall perform such other duties, not inconsistent herewith, as the board of commissioners may, from time to time prescribe, and in case of absence from the city, sickness or inability of the police judge to perform the duties of his office the mayor shall temporarily act as judge of the police court.

Sec. 15. The police judge, as commissioner of public justice, shall be at the head of the department of peace and safety, and he shall have supervision of the fire department, police department and legal department. He shall see, except as may be herein otherwise provided, that the laws and ordinances of the city and the resolutions and orders of the board of commissioners are enforced; that the peace and good order of the city are preserved; and that the persons and property therein are protected. He shall be the legal adviser of the board of commissioners and the chief counsel for the city in all the courts except the police court of the city. In case of absence, sickness or inability of the mayor to perform the duties of his office he shall act as mayor. He shall be the custodian of the city hall and the city jail, and shall perform such other duties not inconsistent herewith, as may be hereinafter prescribed, or by the board of commissioners from time to time imposed.

Sec. 16. The city clerk, as commissioner of public accounts and finances shall have charge of the department of accounting and finance, which shall include the collection of all municipal taxes, rents, licenses, fees, and all revenues of the city, from whatsoever source derived. He shall have charge of all bond issues, assessments, printing and city fiscal affairs generally. He shall be the purchasing agent for the city, and, subject to the direction of the board of commissioners and the provisions of this charter, shall purchase all supplies and make all contracts for city printing. He

shall be clerk of the board of commissioners, and as such, perform such duties as usually devolve upon a city clerk and shall perform such other duties, not inconsistent herewith, as the board of commissioners may, from time to time, prescribe. He shall also be the city treasurer and have custody of the funds of the city, and shall pay out the same only upon the order of the board of commissioners, duly signed and attested. He shall invest the funds of the city only in such securities as are provided by the constitution and laws of the state of West Virginia in such cases made and provided, and such investments, if any, shall be made only upon the direction of the board of commissioners, and all uninvested funds shall be deposited in the city depository in the city of Spencer.

Sec. 17. The board of commissioners shall have power to assign duties not specifically named above to any department to which they may properly belong and by a unanimous vote to transfer duties from one commissioner to another commissioner.

Sec. 18. Each of the commissioners provided for in this charter shall be required to engage in the actual work of his office to the extent that his services may be necessary for the full and proper discharge of his duties thereunder. At all times each commissioner shall have absolute, actual management and control of the affairs of his department and he shall be responsible directly to the people therefor, and he shall also be held directly responsible for his vote upon any action taken by the board, by the people of the city.

Sec. 19. Any person, firm or corporation feeling aggrieved at the decision or action of any one of the commissioners in the transaction of the business of his department, shall have the right to appeal from said decision to the board of commissioners by serving written notice of such appeal upon said commissioner within five days from the time of such decision, and said board of commissioners may by a two-thirds vote order the decision or action so appealed reversed, changed, modified or affirmed: *provided*, that no appeal shall lie to the board of commissioners upon the merits after conviction of an offense in the police court.

Sec. 20. The board of commissioners shall fix the number and salary of all officers and employees in each department but every officer and employee of the city shall be appointed and employed by the commissioner in whose department their duties mainly fall and their services are required and such commissioner shall

to the people be responsible therefor; and all officers and employees shall hold their respective positions at the will and pleasure of the power appointing or employing them.

Sec. 21. All appointive officers and employees of the city shall be selected with reference to their qualification and fitness and for the good of the public service, but no person who is a near relative by blood or marriage, of any of the commissioners or any of the heads of any of the departments of the city, shall be appointed to any office or employment under the city, and if any such appointment be made the same shall be void.

Sec. 22. The receiving, directly or indirectly, by any officer or employee of said city for his own use and benefit, or any other use and purpose than is authorized and provided in this charter and the laws of this state, of any interest, profit or perquisite arising from the use or loan of public funds in his hands or to be raised through his agency or department for city purposes, or from the letting of any contract for any public improvement, or the purchase of any equipment for the use of any department, shall be deemed sufficient cause to forfeit the office of said official and any commissioner, officer or employee convicted of so receiving the same shall then and there forfeit his office and be thereafter disqualified to hold any office in said city.

Sec. 23. The city depository shall be a bank at Spencer, West Virginia, making the highest and best bid therefor; said bids shall be competitive, and sealed, and shall stipulate a contract for the amount of interest to be charged for loans and overdrafts of the city and the amount of interest to be paid on daily balances of the city with such bank and the board of commissioners shall determine which is the best bid or bids, and shall designate as city depository the bank making the best competitive bid.

Sec. 24. The city depository shall secure all deposits by giving a good and sufficient bond with some surety company or companies, to be approved by the board of commissioners. Said bond shall be in the sum of the probable maximum deposits of the city at any one time with such depository, and a new bond may be exacted by the board of commissioners at any time when the existing bond shall be deemed insufficient; *provided*, that the board of commissioners shall have power to take from such depository in lieu of such bond, any outstanding bonds or warrants of the city, legally issued and properly assigned, to be held by the commissioner of public accounts and finances as collateral security, and to the

extent of the par value of such warrants or bonds of the city, said depository shall be relieved from such surety bond.

Sec. 25. The board of commissioners shall have power by two-thirds vote to purchase and acquire any property, real or personal, which it deems to be for the best interest of the city, and shall have power to sell and dispose of any property, real or personal, now or hereafter owned by the city, but the power herein granted shall at all times be subject to the following limitations, viz:

(1) When the value of the property sought to be purchased or sold exceeds the sum of six hundred dollars, but does not exceed the sum of one thousand two hundred dollars, the board of commissioners is authorized, *by unanimous vote,* to make such purchase or sale.

(2) When the value of the property to be purchased or sold exceeds the sum of one thousand two hundred dollars, the question of its purchase or sale shall be first submitted to the electors of the city at an election called for that purpose, and the question submitted thereat shall be substantially: "Shall the board of commissioners of the city of Spencer purchase, or sell, (as the case may be), the following described property, viz:" (description of property); and if the majority of the votes cast in said election shall be in the affirmative, then the board of commissioners shall have the power thereby conferred, and not otherwise.

Legislative Department.

Sec. 26. The legislative powers of the city are hereby vested in a board composed of the three commissioners herein provided for, sitting as a board of commissioners. Said board shall have the power to enact all ordinances for the city, not in conflict with this charter or the constitution and laws of this state, the intention being that the said board shall be vested with the power and charged with the duty of enacting and adopting all laws and ordinances not inconsistent with this charter, the statutes of this state and the constitution thereof, touching every subject and matter of local or general application within the boundaries of the city or within one mile thereof, within the purview of the local government instituted by this charter and within the powers granted and conferred by the constitution and laws of the state of West Virginia.

Sec. 26-*a*. While the board of commissioners shall be vested with the legislative powers of the city as set out in section twenty-six herein, and shall in such capacity exercise such powers as

usually devolve upon the council of a city, *(such board of commissioners shall not grant any franchise to any public service corporation desiring to operate in said city, for a period of longer than ten years)*; except by unanimous vote of said board of commissioners; and in no case shall said board of commissioners grant any franchise to any public service corporation, or person for any purpose, for a period of longer than twenty years, unless the question of the granting of said franchise shall first be submitted to the electors of the city at an election called for that purpose, the expenses of said election to be paid for by the person or public service corporation applying for said franchise, unless said election shall be held at the same time as the regular city election held annually in said city. And the board of commissioners shall have power to fix charges and prices for service or commodities of persons or companies operating public service plants or utilities by incorporating said prices and charges in any franchise granted; *provided*, the same shall be under the supervision of the public service commission.

Sec. 27. In case of the death, resignation, removal from office, or removal from the corporate limits of the city of any commissioner, or when from any cause the office of any member of the board may become vacant, the remaining members or member shall elect a successor or successors to fill the vacancy, who shall hold office and perform the duties pertaining thereto until the next regular annual city election, and until a successor is elected by the people of the city to fill the unexpired term of said commissioner.

Sec. 28. The board of commissioners shall determine its own rules of procedure, may punish its members for disorderly conduct and compel their attendance at its meetings; *provided*, that any commissioner who shall fail to attend at least one meeting in any month of the board of commissioners shall forfeit his salary as such commissioner for said month unless said commissioner shall be excused from said attendance by unanimous vote of the board of commissioners on account of sickness, physical disability or other cause; and *provided* further, that any commissioner who shall from any cause, fail or refuse to perform the duties of his position including attendance at the meetings of the board for a period of three months shall lose his office and the same shall be declared vacant by the remaining commissioner or commissioners and said vacancy filled as herein provided.

Sec. 29. The regular meetings of the board of commission-

ers shall be held on the first Monday after the election of the commissioners and thereafter at least twice a month, and on such day and at such hour as shall be designated by ordinance or resolution of the board. Adjourned meetings may be held and special meetings called at any time by the mayor or by two commissioners as circumstances may demand.

Sec. 30. Two members of the board shall constitute a quorum and the affirmative vote of two members shall be necessary to adopt any motion, resolution or ordinance, or pass any measure, unless a greater number is provided for by this charter. Upon every motion involving the expenditure of money and for the letting of any public contract, and on all ordinances, the ayes and nays shall be taken and recorded, and every ordinance shall be reduced to writing and read before a vote is taken thereon. The chairman of the board shall have a vote on all questions, but shall have no veto power. Every resolution or ordinance passed by the board shall be signed by the chairman or acting chairman, attested by the clerk, or acting clerk, and recorded before the same shall be in force.

Sec. 31. The style of all ordinances shall be: "Be it ordained by the board of Commissioners of the city of Spencer." Such caption may be omitted when said ordinances are revised and digested under the order of the board, or when published in book form.

Sec. 32. Every ordinance shall embrace but one subject, which shall be clearly expressed in the title. *Provided,* that if any subject matter be embraced in any ordinance contrary to the provisions of this section, such ordinance shall be void only as to so much of the ordinance as may not be clearly expressed in the title thereof. Such subject may be omitted when ordinances are published in book form.

Sec. 33. All ordinances passed by the board of commissioners, except emergency ordinances, shall take effect and become valid and binding at the expiration of thirty days from the date of their passage, unless otherwise provided in this charter.

Sec. 34. The board of commissioners, by unanimous vote, may pass an emergency ordinance when the public peace, public health or public safety shall, in the judgment of the board, demand it. Every emergency ordinance must as a part of the title, contain the words: "And declaring an emergency," and every such or-

dinance shall provide that such ordinance shall take effect and be in full force immediately upon its passage.

Municipal Code.

Sec. 34-*a*. The first board of commissioners elected under the provisions of this act shall have authority to compile and adopt *eo instanti* such of the ordinances of the present town of Spencer as may be applicable to the changed form of government under this charter, change the penalties fixed by said ordinances, and adopt the same together with such other proper ordinances as they may deem immediately necessary to preserve the public peace and insure the general welfare of said city; and publish all of said ordinances in one book or pamphlet, in any form directed by said board of commissioners; and said ordinances when so compiled shall be in effect in the form compiled, after the tenor thereof, immediately from the date of said compilation, and all ordinances of the town of Spencer not included in such compilation shall then cease to be effective in said city.

Judicial Department.

Sec. 35. The judicial power of the city of Spencer shall be vested in a police court, which court is hereby created, and the police judge and commissioner of public justice shall be *ex-officio* the judge of said court. All trials shall be before said judge without any jury.

Sec. 36. The police court shall have original and exclusive jurisdiction to hear and determine all offenses against the ordinances or the charter of the city of Spencer; and of all civil actions and proceedings arising out of a violation of the ordinances and charter of said city; and for the collection of all licenses, fees, rents or other revenues required by ordinances except such actions and proceedings as fall within the exclusive jurisdiction of other courts under the provisions of the constitution and laws of this state.

Sec. 37. The ordinances of the city of Spencer shall be enforced by the imposition of fines, forfeitures or penalties against any person violating such ordinances, or any of them; and the commissioners shall prescribe in each particular ordinance made for that purpose, the minimum and maximum fine for the infraction thereof, which maximum shall not exceed one

hundred dollars, exclusive of costs, for any one specific offense. The same costs shall be taxed in each criminal case tried in the police court as is provided by law to be taxed by justices of the peace in the trial of misdemeanor cases coming under the jurisdiction of justices of the peace, except that in every contested criminal case, the police judge may also tax an attorney fee of not exceeding five dollars, to be paid to the city prosecutor for his services in said case, if a conviction be had in said case.

Sec. 38. The police court may provide in all judgments of conviction for the violation of any ordinance of the city a fine, and that the person against whom said fine is assessed shall be imprisoned until the fine and costs of prosecution shall be paid or the same are remitted by the police judge or board of commissioners. And any person committed for the non-payment of fine and costs, while in custody, may be compelled to work on the streets, alleys, public grounds or works until such fine and costs are paid allowing one dollar per day for the work of said prisoner to apply on said fine and costs.

Sec. 39. All fines, penalties, forfeitures and collections of every kind made by the police judge shall be the property of the city and shall be deposited with the commissioner of public accounts and finances, within ten days after the collection thereof, to be by him applied to the proper fund of the city as may by ordinance be required.

Sec. 40. The style of all process of the police court shall run in the name of the city of Spencer.

Sec. 41. The board of commissioners shall have the power to remit fines and grant pardons after conviction in the police court.

Sec. 42. Appeals from the police court shall lie to the circuit or criminal court of Roane county, as is now or may be provided by the statutes of this state governing appeals from police courts to circuit or criminal courts.

Elections.

Sec. 43. Candidates to be voted for at all city elections at which any or all of the commissioners provided for by this act are to be elected, shall be nominated by a primary election, and no other names shall be printed upon the general ballot, except those selected in the manner hereinafter prescribed. The primary election for such nominations shall be held on the second

Tuesday preceding the general city election. Two judges of election of opposite political faith shall be appointed by the commissioners for each polling precinct for the general city election, and such judges shall be judges of the primary election, and it shall be held at the same place, so far as possible, and the polls shall be opened and closed at the same hours. The council of the town of Spencer, as constituted at the passage of this act, shall appoint the judges for the first primary and general city election to be held hereunder.

Any person desiring to become a candidate for commissioner shall, at least ten days prior to said primary election, file with the city clerk a statement of such candidacy, in substantially the following form:

State of West Virginia, county of Roane, ss:

I ....., being first duly sworn, say that I reside on ....., street in the city of Spencer, West Virginia; that I have been for one year next preceding the coming general city election a *bona fide* resident within the corporate limits of said city and am a qualified voter and taxpayer therein; that I am a candidate for nomination to the office of commissioner of ..... to be voted upon at the primary election to be held on Tuesday, the ..... day of ....., 19...., and I hereby request that my name be printed upon the official primary ballot for nomination by such primary election for such office.

Signed.....

Subscribed and sworn to before me this ..... day of ....., 19....

Signed .....

Notary Public.

Immediately upon the expiration of the time of filing the statements of candidates, the city clerk shall cause to be published at least one time in each weekly newspaper published in the city, in proper form, the names of persons as they appear upon the primary ballot, said names to be placed upon said ballot in the order in which the candidates' statements were filed; and the said clerk shall thereupon cause the primary ballots to be printed. Upon said ballot shall first appear the name of the office to be voted for, following which and below same shall appear the words, "Vote for one" in parenthesis, following which and below same shall appear the names of the candidates, each on a sep-

arate line with a square at the left of each name. The ballots shall be in substantially the following form:

(Place a cross in the square preceding the names of the parties you favor as candidates)

OFFICIAL PRIMARY BALLOT.

For Mayor and Commissioner of Public Affairs.
(Vote for One)
(Name of Candidate)
For Police Judge and Commissioner of Public Justice.
(Vote for One)
(Name of Candidate)
For City Clerk and Commissioner of Public Accounts and Finances.
(Vote for One)
(Name of Candidate)

Official ballot, attest:

.....*City Clerk.*
(Or *Acting City Clerk.*)

Having caused said ballot to be printed, the city clerk, or acting city clerk, shall cause to be delivered at each polling precinct a number of said ballots equal to twice the number of votes cast in such polling precinct for mayor at the preceding general city election; *provided,* that at the first election held under the provisions of this act there shall be delivered at each polling precinct on the day of said election, if two polling precincts be designated by the present council of the town of Spencer, at least five hundred ballots, and if only one polling precinct shall have been designated by said council, there shall be delivered to said polling precinct by the recorder of the town of Spencer as acting city clerk, not less than one thousand ballots. The persons who are qualified to vote at the general city election shall be qualified to vote at the primary election and challenges can be made by not more than two persons at each polling precinct, to be appointed at the time of the opening of the polls by the judges of election; and the general law applicable to challengers at general municipal elections shall be applicable to challengers made at such primary election. Judges of election shall immediately upon the closing of the polls, count the ballots and ascertain the number of votes cast in such precinct for each of the candidates, and make return thereof to the city clerk within fifteen hours of the closing of

the polls. On the day following the said primary election the said clerk and the other commissioners of the city (at the first primary and general elections held hereunder, the recorder and council of the town of Spencer) shall canvass the returns from all polling precincts publicly and shall announce and publish in two newspapers in said city at least once, the result thereof. The two candidates receiving the highest number of votes in said primary for each office voted upon shall be the candidates, and the only candidates whose names shall be placed upon the ballot at the succeeding general election. *Provided*, that in the event any candidate entitled under the foregoing provisions to become a candidate at the next succeeding general city election shall become ineligible or decline to allow his name to appear on the official ballot therefor, the candidate for such office standing next in order in the computation of votes shall succeed to his rights with respect thereto; and, *provided, further*, that in the event any candidate shall receive a majority of all the votes cast for the office for which he is a candidate, he shall be the candidate and the only candidate whose name shall be placed upon the ballot for such office at the succeeding general city election.

The general city election shall be held and conducted annually on the third Tuesday in April of each year, *provided*, that the first general city election held under the provisions of this act shall be held on the second Tuesday after this act 111-*a* shall be ratified by the people of said city. Said general city election shall be held and conducted, the ballots arranged, printed and distributed and the returns thereof made in the manner and within the same time as is provided herein for primary elections and the candidate receiving the highest number of votes cast for each office voted upon shall be declared elected thereto and shall take charge of his office on the first Monday in May following his election; *provided*, that the first officials elected under the provisions of this act shall be inducted into office on the first Monday following their election. In the event of a tie between two candidates for any office at a general city election they shall cast lots to determine who shall be elected thereto. The expenses attending the holding of said primary and all other elections shall be borne by the city unless otherwise provided herein. The persons entitled to vote at said primary and general elections shall be qualified voters of Roane county, West Virginia, and residents of the boundaries embraced in sec-

Sec. 45. Whenever anything for which a state license is required, is to be done within said city, or within one mile of the corporate limits thereof, the board of commissioners, as herein provided, may require a city license to be had for doing the same, except that no license taxes shall be levied by said city under paragraphs "r" and "s" of section two of chapter thirty-two of the code and may, in any case require from any person licensed a bond with sureties, and in such penalty and with such conditions as it may deem proper, and the board of commissioners may on notice revoke such license if the conditions of such bond are broken, or for any other good cause. The city authorities may prescribe, impose and enforce a fine, under order of the police judge of said city upon any person carrying on or attempting to carry on any business or doing anything for which a city license may by ordinance be required, without first obtaining a city license therefor and paying the city license tax assessed thereon. All licenses shall be paid to the commissioner of public accounts and finances. For the purpose of enforcing the provisions of this section the city shall have police jurisdiction for one mile beyond the corporate limits of the city.

Sec. 46. The city taxes annually levied by the board of commissioners shall be collected as follows: Immediately after the annual levy for city taxes is laid, the city clerk shall extend the same on the property books made out by him, including thereon the proper capitation taxes. He shall make out proper tax tickets in the following manner, that is to say: There shall be a single ticket for the whole amount charged to any person, firm or corporation, and after the tickets have been examined and compared and found to be correct by the board of commissioners, they shall be turned over to the city clerk and commissioner of public accounts and finances, and said city clerk shall then give notice, by publication or posting for at least ten days, stating that the tax tickets are in his hands for collection, the penalty for the non-payment thereof, and the time and place where the same may be paid; *provided, however,* that the tax-payer shall have the right to anticipate the payment of the whole or any part of the taxes as assessed. Immediately upon the payment of said taxes, or any part thereof, the said amount shall be deposited by the commissioner of public accounts and finances in the city depository to the credit of the "City of Spencer." All taxes shall be due and payable within thirty days after the expiration of the

notice posted by the city clerk, as hereinbefore set forth, and in case the same are not paid within said time, he may distrain and sell therefor, in like manner as the officer collecting the state taxes may distrain therefor, and he shall have in all other respects the same power to enforce the payment and collection thereof. On all tickets remaining uncollected in the hands of the commissioner of public accounts and finances, thirty days after the date of the expiration of the notice posted by him, there shall be added and collectable, ten per cent interest until paid; *provided, however,* that the board of commissioners shall have the power any year, by resolution, to extend the time that such tax tickets may remain in the city clerk's hands and to be paid to him, before adding the interest, for a period not to exceed ninety days. The board of commissioners may by ordinance allow a discount for prompt payment of taxes. The city clerk and commissioner of public accounts and finances shall have the power to collect said taxes so placed in his hands together with the interest thereon, heretofore provided, to be added thereto. The commissioner of public accounts and finances shall be charged with the gross amount of all tax tickets delivered to him for collection, and no deduction therefrom shall be allowed, unless on or before the first day of June of each year he makes out and publishes at least once in two newspapers of opposite politics in said city, and returns to the board of commissioners a delinquent list of the taxes uncollected for the year previous, with his oath attached thereto, stating that such delinquent list is correct and just, that he has received no part of the taxes mentioned thereon, that he has used due diligence to find the property to distress for said taxes and has found none, and that same are uncollectable. Interest, provided for in this section, to be added to such taxes, shall not be deemed or considered any part of the limitation in this act hereinbefore prescribed, restricting the annual city levy to fifty-five cents on each one hundred dollars valuation. The commissioner of public accounts and finances shall not take or collect anything but money for the payment of taxes and city revenues.

SEC. 47. There shall be a lien upon all real estate within said city for the city taxes assessed thereon, including such penalties and interest added thereto for non-payment thereof as are prescribed by this act, from the first day of January of the year in which said taxes are assessed. Said liens may be enforced in

any court of record in Roane county by appropriate suit; *provided*, such suit be entered within five years from the time said liens attached as herein provided, and such suit may be either by and in the name of the city of Spencer as plaintiff, or said city may intervene by petition in any suit pending to sell or enforce liens against real estate which are subject to such liens for said taxes. Said liens for city taxes and attendant penalties, as well as for improvement assessments, may also be enforced by certifying the same to the clerk of the county court of Roane county for certification to the state auditor, and the same may be certified down by the state auditor and sold for taxes, interest and penalties and commissions thereon, in the same manner, at the same time and by the same officer as real estate is sold for taxes, interest, damages, costs and commissions due the state thereon, which officer shall account therefor on settlement with the board of commissioners and pay the same over to the commissioner of public accounts and finances of the city of Spencer.

Sec. 48. The board of commissioners may, by ordinance, provide that all revenues of the city, other than those belonging to the sinking fund, may be placed in one general fund, or in such funds as may be deemed expedient, and may provide, if there be more than one of such funds, for the transferring of money from one of such funds to another fund by unanimous vote of the board.

General Provisions.

Sec. 49. All contracts pertaining to public improvements, maintenance of public property, public printing, purchase of supplies and all other contracts of whatsoever character, involving an outlay of as much as five hundred dollars, shall be made by the board of commissioners and shall be based upon specifications provided for the said board. Such contracts shall be entered into only after inviting competitive bids. Such competitive bids shall be sealed and one copy of each bid shall be filed with the clerk of the board. Each bidder shall accompany his bid with a sworn statement, in writing, that the bidder has not directly, nor indirectly, entered into any agreement, express or implied, with any other bidder, or bidders, having for its object the control of the price and amount of such bids, or limiting of the bids or bidders, parceling or farming out to any bidder or bidders or other persons, of any part of the contract or any part of the subject

matter of the bid, or the parts thereof. No bidder shall divulge said sealed bid to any person whatever except those having a partnership or other financial interest with him in said bid, until after the said sealed bids are opened. The violation of any of the foregoing provisions on the part of the bidder shall make void any contract made by him with said city based upon such bid. The awarding of a contract upon a successful bid shall give the bidder no right of action or claim against the city upon such contract until the same shall have been reduced to writing and duly signed by the contracting parties. All bids filed with the clerk of the board shall be opened in the presence of the board of commissioners, two days before any contract shall be entered into, based upon said bid. The board of commissioners shall consider the bids and may reject all and ask other bids or may enter into a contract with the party offering the lowest and best bid, or may have such work done under the supervision of the proper department and keep account of the expenses thereof. Pending acceptance of bids, the plans and specifications and profiles shall remain on file in the office of the clerk of the board, subject to the inspection of any person. For the safeguarding of the interests of the city, the board of commissioners shall make such regulations providing for the filing of the estimates of cost furnished them by the city engineer as they deem best. The board of commissioners shall have power to require all bidders to make such bonds or cash deposits as they may deem proper to secure the performance of the contract.

Sec. 50. In so far as practicable, home labor and home material, when equal to other labor and material at the same cost, shall be given preference on all public works in the city of Spencer whether done by the city or any contractor or sub-contractor.

Sec. 51. All printed ordinances or codes of ordinances published by the authority of the board of commissioners, shall, in all judicial proceedings in all courts, be admitted as *prima facie* evidence, and in any such proceedings it shall not be necessary to plead the entire ordinance or section but only such parts thereof as are admitted in evidence.

Sec. 52. Every claim against the city must be approved by the commissioner in whose department it originated, and be filed with the clerk of the board in writing, with a full account of all items thereof and must be subscribed by the claimant or his agent

or attorney, who, on oath, shall declare that the same is correct, just, due and unpaid, and no claim or demand shall be allowed or suit filed thereon unless so prepared and filed, and unless suit shall be filed upon such claim within twelve months after the same shall have been filed with the clerk of the board, in writing, as above provided, such claims shall be forever barred.

Removal Under General Laws.

Sec. 53. Any commissioner shall be subject to removal from office in the manner and for the same cause or causes as provided by the laws of the state of West Virginia, for removal of county offices.

Sec. 54. Each commissioner shall have power to administer oaths.

Sec. 55. Every officer who shall knowingly prove, allow or pay any demand on the treasury of the city, not authorized by law, ordinance or this act, shall be liable to the city individually and on his official bond, for the amount of the demand so illegally approved, allowed or paid.

Sec. 56. Each commissioner of the city of Spencer shall be a public conservator of the peace, and said commissioners and each member of the police department, in addition to the power of enforcing ordinances of the city and in aid of said powers, shall have the same police powers as are given to a constable in making arrests, and in preserving the peace and safety within the city; *provided*, that such officer shall have power over territory outside of the city, but under its control, as may be conferred by the laws of the state and the other provisions of this act; and, *provided further*, that all regular police officers of the city of Spencer, except extra policemen serving less than one week at a time, appointed under the provisions of this act, shall give bond payable to the city of Spencer for the faithful performance of their duties in such amount as may be fixed by the board of commissioners; *provided*, that said bond shall be in the penalty of not less than one thousand dollars.

Sec. 57. The fiscal year of the city shall commence on the first day of July each year and shall end on the thirtieth day of June next following.

Sec. 58. The office of the mayor, recorder and councilmen of the town of Spencer and the town of Alvord shall be terminated

and be and become vacant upon the election and qualification of the commissioners provided for in this act. All other officers and employees of the present corporations of Spencer and Alvord shall continue in office and to perform their duties until their successors are appointed, or until their services are dispensed with by the commissioner having charge of the department in which they are employed.

Sec. 59. The first board of commissioners elected under the provisions of this act shall divide the city into two wards, making said wards as nearly equal in area and voting population as possible, and shall designate convenient and proper voting places therein, (one in each ward), where city elections shall be held. The board of commissioners may at any time by unanimous vote change said voting places to suit the needs and requirements of the city. After the division of this city into two wards not more than two of the commissioners elected under this charter shall be residents of any one of said two wards at the time of their election.

Sec. 60. This act shall not become effective unless the same shall first be submitted to the qualified voters residing within the proposed city of Spencer, as shown by the boundaries thereof set out in section two of this act, and having received a majority of all votes cast at an election held within said proposed city at which the question of the ratification or rejection of this charter shall be voted upon.

This act shall be submitted to said voters at an election to be held within the proposed city of Spencer on the fourth Tuesday of the month next succeeding the calendar month in which this act is put into effect by the legislature of West Virginia.

This act shall be published at the expense of the town of Spencer in full once a week for at least two successive weeks immediately preceding the aforesaid election, in two newspapers at Spencer, West Virginia, or in lieu of said newspaper publication, the full text of this act may be posted in five conspicuous places within the boundaries set out in section two hereof, for at least ten days prior to said election; and if ratified shall take effect immediately and be in effect from the date the vote thereon is canvassed by the recorder and council of the town of Spencer.

Form of Ballot.

The ballots at said election shall be in the following form:

☐ For ratification of New Charter.

☐ Against ratification of New Charter.

Sec. 61. All acts and parts of acts, whether special or general, coming within the purview of this act and inconsistent or in conflict herewith are to the extent of any such conflict or inconsistency hereby repealed.

CHAPTER 122.

(Senate Bill No. 272.)

AN ACT to amend and re-enact section thirty of chapter one hundred and forty-five of the acts of the legislature of one thousand nine hundred and one, entitled, "An act to amend and re-enact and reduce into one act the several acts incorporating the town of Mannington, in the county of Marion, defining the powers thereof and describing the limits of said town, and incorporating the city of Mannington in Marion county."

[Passed February 19, 1917. In effect ninety days from passage. Approved by the Governor February 23, 1917.]

SEC. 30. The council given authority to purchase for cemetery, etc. Inconsistent acts repealed.

Be it enacted by the Legislature of West Virginia:

That section thirty of chapter one hundred and forty-five of the acts of the legislature of one thousand nine hundred and one, be amended and re-enacted so as to read as follows:

Section 30. The council shall have and hereby are given authority to acquire by purchase, or otherwise, any and all real estate within said city, or adjacent thereto, not to exceed twenty acres, necessary for cemetery purposes; to maintain and keep the same in good condition and repair, and to provide, by taxation or otherwise, sufficient funds necessary to maintain and keep the same in good condition and repair; to regulate the burial of the dead within said city, and to preserve the peace within all the cemeteries acquired by it whether situated within or without the corporate limits of said city, and all other cemeteries within said

3

City of Spencer

Terry A. Williams, Mayor

116 COURT STREET
SPENCER, WEST VIRGINIA 25276

Telephone 304-927-1640

OATH OF OFFICE

State of West Virginia
County of Roane
City of Spencer

I, Terry A Williams, do solemnly swear that I will support, protect and defend the Constitution of the United States, and the Constitution of the State of West Virginia, and the laws and ordinances of the City of Spencer, and that I will discharge the duties of my position as Mayor with fidelity; and that I will not knowingly receive, directly or indirectly, any money or other valuable thing for the performance or non-performance of any act or duty pertaining to my position other than the compensation allowed by law.

So help me God.

(Office Holder)

Sworn to and subscribed before me this 30th day of June, A. D. 2009

Annette Stover

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
ANNETTE STOVER
89 BRIERWOOD VILLAGE
SANDYVILLE, WV 25275
My commission expires November 26, 2013

City of Spencer

Terry A. Williams, Mayor

116 COURT STREET
SPENCER, WEST VIRGINIA 25276

Telephone 304-927-1640

OATH OF OFFICE

State of West Virginia
County of Roane
City of Spencer

I, David A. Holland, do solemnly swear that I will support, protect and defend the Constitution of the United States, and the Constitution of the State of West Virginia, and the laws and ordinances of the City of Spencer, and that I will discharge the duties of my position as City Council with fidelity; and that I will not knowingly receive, directly or indirectly, any money or other valuable thing for the performance or non-performance of any act or duty pertaining to my position other than the compensation allowed by law.

So help me God.

David A. Holland
(Office Holder)

Sworn to and subscribed before me this 30th day of June, A. D. 2009

Mayor

City of Spencer

Terry A. Williams, Mayor

116 COURT STREET
SPENCER, WEST VIRGINIA 25276

Telephone 304-927-1640

OATH OF OFFICE

State of West Virginia
County of Roane
City of Spencer

I, Cecil P Banks, do solemnly swear that I will support, protect and defend the Constitution of the United States, and the Constitution of the State of West Virginia, and the laws and ordinances of the City of Spencer, and that I will discharge the duties of my position as City Council with fidelity; and that I will not knowingly receive, directly or indirectly, any money or other valuable thing for the performance or non-performance of any act or duty pertaining to my position other than the compensation allowed by law.

So help me God.

Cecil P Banks
(Office Holder)

Sworn to and subscribed before me this 30th day of June, A. D 2009

Mayor

City of Spencer

Terry A. Williams, Mayor

116 COURT STREET
SPENCER, WEST VIRGINIA 25276

Telephone 304-927-1640

OATH OF OFFICE

State of West Virginia
County of Roane
City of Spencer

I, Robin Lynn Stump, do solemnly swear that I will support, protect and defend the Constitution of the United States, and the Constitution of the State of West Virginia, and the laws and ordinances of the City of Spencer, and that I will discharge the duties of my position as City Council with fidelity; and that I will not knowingly receive, directly or indirectly, any money or other valuable thing for the performance or non-performance of any act or duty pertaining to my position other than the compensation allowed by law.

So help me God.

Robin L Stump
(Office Holder)

Sworn to and subscribed before me this 30th day of June, A. D. 2009

Mayor

City of Spencer

Terry A. Williams, Mayor

116 COURT STREET
SPENCER, WEST VIRGINIA 25276

Telephone 304-927-1640

OATH OF OFFICE

State of West Virginia
County of Roane
City of Spencer

I, Aaron Richardson, do solemnly swear that I will support, protect and defend the Constitution of the United States, and the Constitution of the State of West Virginia, and the laws and ordinances of the City of Spencer, and that I will discharge the duties of my position as City Council with fidelity; and that I will not knowingly receive, directly or indirectly, any money or other valuable thing for the performance or non-performance of any act or duty pertaining to my position other than the compensation allowed by law.

So help me God.

Aaron Richardson
(Office Holder)

Sworn to and subscribed before me this 30th day of June, A. D. 2009

Mayor

City of Spencer

Terry A. Williams, Mayor

116 COURT STREET
SPENCER, WEST VIRGINIA 25276

Telephone 304-927-1640

OATH OF OFFICE

State of West Virginia
County of Roane
City of Spencer

I, Toby Ford, do solemnly swear that I will support, protect and defend the Constitution of the United States, and the Constitution of the State of West Virginia, and the laws and ordinances of the City of Spencer, and that I will discharge the duties of my position as Councilman with fidelity; and that I will not knowingly receive, directly or indirectly, any money or other valuable thing for the performance or non-performance of any act or duty pertaining to my position other than the compensation allowed by law.

So help me God.

Toby Ford
(Office Holder)

Sworn to and subscribed before me this 1st day of July, A. D. 2009

Mayor

4

$394,000
CITY OF SPENCER
WATER REVENUE BOND, SERIES 2012

BOND ORDINANCE

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CITY OF SPENCER, WEST VIRGINIA

BOND ORDINANCE

ORDINANCE AUTHORIZING THE CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS FOR THE PUBLIC WATER SYSTEM OF THE CITY OF SPENCER, WEST VIRGINIA; AND THE FINANCING OF A PORTION OF THE COST THEREOF THROUGH THE ISSUANCE BY THE CITY OF NOT TO EXCEED $394,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BOND, SERIES 2012, FOR THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF THE PUBLIC WATER SYSTEM THROUGH FINANCING TO BE OBTAINED BY THE CITY AT A COST ESTIMATED TO BE APPROXIMATELY $1,500,000; WITH BOND PROCEEDS TO BE USED, ALONG WITH OTHER FUNDS AND MONEYS OF, OR AVAILABLE TO, THE CITY OF SPENCER WHICH MAY BE LAWFULLY EXPENDED FOR SUCH PURPOSES, AND TO PAY OTHER COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE OWNER OF SUCH BOND; PLEDGING NET REVENUES, ON A PARITY BASIS, AS SECURITY FOR THE BOND; PLACING LIMITATION ON SALE OF SYSTEM; AND AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BOND AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT ORDAINED AND ENACTED BY THE COUNCIL OF THE CITY OF SPENCER:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

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

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

A. The City of Spencer (the "Issuer") is a municipal corporation and political subdivision of the State of West Virginia in Roane County.

B. The Issuer now has a public water system and desires to improve and expand that system and it is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the Issuer and, accordingly, it is hereby ordered, that there be acquired and constructed certain additions, betterments and improvements to the existing public water system of the Issuer known as the "System" (sometimes referred to herein as the "System") so as to improve the public health, comfort and convenience of residents of the City, including the construction and installation of all necessary appurtenant facilities (the "Project"),

and generally described as water line extensions, pumps, pumping stations, water plant improvements and necessary appurtenances particularly described in and according to the plans and specifications prepared by the Consulting Engineer for the Project and heretofore filed in the office of the Recorder of the City Council (the "Governing Body") of the Issuer. The construction and acquisition of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

C. The estimated revenues being and to be derived in each year from the Project and the System will be sufficient to pay the costs of said System, the principal of and interest on the Bonds and all sinking funds, reserve accounts and other payments provided for herein and all as such terms are hereinafter defined.

D. The Issuer is the beneficiary of a grant from the USDA RD in the amount of $1,106,000, the proceeds of which, together with the Bond proceeds, will be used to acquire, construct and equip the Project.

E. It is deemed necessary for the Issuer to issue its Water Revenue Bond in the total aggregate principal amount of $394,000 to finance the cost of the acquisition, construction and equipping of the Project.

F. The estimated maximum cost of the acquisition, construction and equipping of the Project is $1,500,000, all of which will be obtained from the sale of the Bonds and from a grant or grants to be made available to the Issuer. The cost of such acquisition, construction and equipping shall be deemed to include but not limited to the cost of preparing drawings, plans and specifications detailing the Project and all attendant expenses; amounts which may be deposited in the Series 2012 Bond 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, discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, and the performance of the things herein required or permitted in connection with any thereof; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Bonds or the repayment of indebtedness incurred by the Issuer for acquisition, construction and equipping purposes shall be deemed Costs of the Project, as hereinafter defined.

G. The period of usefulness of the System after completion of the Project is not less than forty (40) years.

H. It is in the best interests of the Issuer that its Series 2012 Bond be sold to the United States of America, United States Department of Agriculture, Rural Development (the "Government").

I. The Issuer has complied with all requirements of West Virginia law relating to authorization of the acquisition, construction and equipping of the Project and issuance of the Bond,

and will comply prior to the issuance of any additional indebtedness, including, among other things, the obtaining of a Certificate of Convenience and Necessity from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which expired prior to the issuance of the Bonds, and such final order is not subject to appeal. The Issuer has received the approval of the West Virginia Infrastructure and Jobs Development Council.

J. The Issuer is a governmental unit which has general taxing powers to finance operations of or facilities of the nature of the Project and System, and the Issuer, all subordinate entities, all entities which issue obligations on behalf of the Issuer, and all entities formed or, to the extent provided under Section 148 of the Code, herein defined, availed of, to avoid the purposes of Section 148(f)(4)(C) of the Code and all other entities benefiting thereby reasonably expect to issue less than $5,000,000 in aggregate principal amount of tax-exempt obligations during the calendar year in which the Bonds for the construction phase are to be issued.

K. There are currently outstanding the obligations of the Issuer with which the Bond will rank on a parity as to lien and source of and security for payment as follows:

(i) Waterworks System Bond of the Issuer, dated September 30, 1974 (the "1974 Bond") issued in the original principal amount of $765,000 secured under the terms of the 1974 Ordinance (hereinafter defined);

(ii) Water Revenue Bond of the Issuer, dated December 9, 1991 (the "1991 Bond") issued in the original principal amount of $365,000 secured under the terms of the 1991 Ordinance (hereinafter defined);

(iii) Water Revenue Bond of the Issuer, dated March 18, 1993 (the "1993 Bond") issued in the original principal amount of $300,000 secured under the terms of the 1993 Ordinance (hereinafter defined);

(iv) Water Revenue Bond of the Issuer, dated June 5, 1998 (the "1998 Bond") issued in the original principal amount of $885,000 secured under the terms of the 1998 Ordinance (hereinafter defined);

(v) Water Revenue Bond of the Issuer, dated October 8, 2009 (the "2009 Bond") issued in the original principal amount of $415,000 secured under the terms of the 2009 Ordinance (hereinafter defined); and

(vi) Water Revenue Bond of the Issuer, dated April 27, 2010 (the "2010 Bond") issued in the original principal amount of $850,000 secured under the terms of the 2010 Ordinance (hereinafter defined).

The Prior Bonds are registered to the Government. The Series 2012 Bond will be issued on parity with the Prior Bonds as to lien on the Net Revenues of the System. The additional bonds coverage and parity tests set forth in the ordinance authorizing the issuance of the Prior Bonds have been met.

With the exception of the revenue bonds described above, there are no other outstanding bonds or obligations of the Issuer, which will rank prior to or on parity with the Series 2012 Bond as to lien, pledge and/or source of and security for payment.

L. The Issuer is not in default under the terms of the Prior Ordinances or any document in connection therewith, and has complied with all requirements of all the foregoing with respect to the issuance of parity bonds or has attained a sufficient and valid waiver thereof.

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

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

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

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

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

"Bond Registrar" means the bank or other entity designated herein or in any Supplemental Resolution and its successors and assigns.

"Bond Year" means the 12-month period beginning on the anniversary of the Closing Date in each year and ending on the day prior to the anniversary date of the Closing Date in the following year except that the first Bond Year shall begin on the Closing Date.

"Bond" or "Series 2012 Bond" means the not more than $394,000 in aggregate principal amounts of City of Spencer, Water Revenue Bond, Series 2012 issued for the purpose of acquiring, constructing and equipping the Project, and any bonds on parity therewith authorized to be issued hereunder.

"Bonds" means the Bond and the Prior Bonds.

"1974 Bond" means the outstanding bond of the Issuer dated September 30, 1974, described in Section 1.02 K.(i) herein.

"1991 Bond" means the outstanding bond of the Issuer dated December 9, 1991, described in Section 1.02 K.(ii) herein.

"1993 Bond" means the outstanding bond of the Issuer dated March 18, 1993, described in Section 1.02 K.(iii) herein.

"1998 Bond" means the outstanding bond of the Issuer dated June 5, 1998, described in Section 1.02 K.(iv) herein.

"2009 Bond" means the outstanding bond of the Issuer dated October 8, 2009, described in Section 1.02 K.(v) herein.

"2010 Bond" means the outstanding bond of the Issuer dated May 5, 2010, described in Section 1.02 K.(vi) herein.

"Closing Date" means the date upon which there is an exchange of the Bonds for the proceeds representing the purchase of the Bond by the Government.

"Code" means the Internal Revenue Code of 1986, as amended, and including all Regulations promulgated pursuant thereto, and any successors thereto.

"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.

"Construction Fund" means the Construction Fund established by Section 4.01 hereof.

"Consulting Engineers" means Boyles and Hildreth, Spencer, West Virginia, or any engineer or firm of engineers that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

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

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period, which relate to principal which has been retired before the beginning of such period.

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

"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 or other legally constituted governing body of the Issuer, as may 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.

"Grant Agreement" means a written commitment for any Grant, specifying the amount of such Grant, the terms and conditions upon which such Grant is made and the date or dates or event or events upon which such Grant is to be paid to the Issuer.

"Grant Receipts" means all moneys received by the Issuer on account of any Grant.

"Grants" means any grant or grants received by the Issuer in aid of the design, acquisition and construction of the Project.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided, that "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined, purchased pursuant to Article 7.01 hereof) or any Tap Fees, as hereinafter defined.

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

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

"Issuer" means the City of Spencer, in Roane County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Mayor" means the Mayor of the Issuer.

"Net Proceeds" means the face amount of the Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Bond Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the 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.

"Operation and Maintenance Fund" means the Operation and Maintenance Fund established by Section 4.01 hereof.

"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, fiscal agents, the Depository Bank, Registrar and Paying Agent (all as herein defined), other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

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

"1974 Ordinance" means the ordinance providing for the 1974 Bond, enacted September 30, 1974.

"1991 Ordinance" means the ordinance providing for the 1991 Bond, enacted December 9, 1991.

"1993 Ordinance" means the ordinance providing for the 1993 Bond, enacted March 11, 1993, supplemented by resolution dated March 11, 1993.

"1998 Ordinance" means the ordinance providing for the 1998 Bond, enacted June 4, 1998.

"2009 Ordinance" means the ordinance providing for the 2009 Bond, enacted October 1, 2009.

"2010 Ordinance" means the ordinance providing for the 2010 Bond, enacted April 27, 2010.

"Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds and Prior Bonds theretofore and thereupon being authenticated and delivered except (i) any Bond canceled 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 IX hereof; and (iv) for purposes of consents or other action by a specified percentage of Bondholders or any Bonds registered to the Issuer.

"Parity Bonds" means additional bonds issued under the provisions and within the limitation prescribed by Section 6.08 hereof.

"Prior Bonds" means, collectively, the Issuer's outstanding Waterworks System Bond, Series 1974, issued in the original principal amount of $765,000, Water Revenue Bond, Series 1991, issued in the original principal amount of $365,000, Water Revenue Bond, Series 1993, issued in the original principal amount of $300,000, Water Revenue Bond, Series 1998, issued in the original principal amount of $885,000, Water Revenue Bond, Series 2009, issued in the original principal amount of $415,000, and Water Revenue Bond, Series 2010, issued in the original principal amount of $850,000.

"Prior Ordinances" means, collectively, the 1974 Ordinance, the 1991 Ordinance, the 1993 Ordinance, the 1998 Ordinance, the 2009 Ordinance and the 2010 Ordinance.

"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 acquisition, construction and equipping of certain additions, betterments and improvements for water facilities of the Issuer, within or surrounding the City of Spencer and all appurtenant facilities.

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

(a) Government Obligations;

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

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

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

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

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

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

(h) The West Virginia "consolidated fund" managed by the West Virginia Board of Treasury Investments pursuant to Chapter 12, Article 6C, of the West Virginia Code of 1931, as amended; provided, that investments by such fund on behalf of the Issuer shall be restricted to Qualified Investments other than that described in this paragraph (h); 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 or Acting 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.

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

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

"Revenue" or "System Revenue Fund" means the Revenue or System Revenue Fund established by Section 4.01 hereof.

"RD" or "Government" means the United States of America, United States Department of Agriculture, Rural Development, and assignee or successor thereto.

"Series 2012 Bond Reserve Account" means the Series 2012 Bond Reserve Account established in the Series 2012 Bond Sinking Fund pursuant to Section 4.02 hereof.

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

"Series 2012 Bond Sinking Fund" means the Series 2012 Bond Sinking Fund established by Section 4.02 hereof.

"State" means the State of West Virginia.

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

"Surplus Revenues" means the Net Revenues not required by the Ordinance to be set aside and held for the payment of or security for the Prior Bond, the Bond, or any other obligations of the Issuer, including the Renewal and Replacement Fund, and the Series 2012 Bond Reserve Account, the proceeds of which Bond or other obligations are to be used to pay Costs of the Project.

"System" means all facilities and other property of every nature, real and personal, now or hereafter owned, held or used in connection with the water system; and shall also include any and all additions, extensions, improvements, properties, or other facilities at any time acquired or constructed for the water system after completion of the Project.

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

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

ARTICLE II

AUTHORIZATION OF CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Construction of the Project. There is hereby authorized the acquisition, construction and equipping of the Project, at an estimated cost of $1,500,000 in accordance with plans and specifications to be prepared by the Consulting Engineers and filed in the office of the Governing Body. The proceeds of the Bond hereby authorized shall be applied as provided in Article IV hereof. The Issuer has received bids and has entered or will enter into

contracts for the acquisition, construction and equipping of the Project, compatible with the financing plan submitted to RD.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BOND

Section 3.01. Authorization of Bond. For the purposes of paying for acquisition, construction and equipping of the Project not otherwise provided for and paying certain costs of issuance of the Bonds and related costs, or any other purposes as determined by a Supplemental Resolution, there shall be issued negotiable Bonds of the Issuer, in the aggregate principal amount of $394,000 for acquisition, construction and equipping of the Project. Said Bond shall be issued and designated, "Water Revenue Bond, Series 2012", in the aggregate principal amount of $394,000 and shall have such terms as set forth hereinafter or in a Supplemental Resolution. The proceeds of the Bond remaining after funding of the Series 2012 Bond Reserve Account (if funded from Bond proceeds) shall, subject to Section 5.02 hereof, be deposited in or credited to the Construction Fund established by Section 4.01 hereof.

Section 3.02. Terms of Bond. The Bond shall be registered and numbered R-1. The Bond shall bear interest at a rate of 2.125% per annum. The Bond shall mature in not more than forty (40) years; and shall be redeemable in whole or in part, all as prescribed herein. The Bond shall be payable as to principal and interest monthly beginning September 13, 2014, 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. Principal and interest on the Bond 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 Government is the Registered Owner thereof.

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

Subsequent series of bonds shall be issued in fully registered form and in denominations and at such interest rates and shall be payable as determined by a new Bond Ordinance.

Section 3.03. Execution of Bond. The Mayor shall execute the Bond in the name of the Issuer, 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 the Bond shall cease to be such officer of the Issuer before the Bond so signed and sealed have been actually sold and delivered, such Bond may nevertheless be sold and delivered as herein provided and may be

issued as if the person who signed or sealed such Bond had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bond shall hold the proper office in the Issuer, although at the date of such Bond such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Ordinance unless and until the Bond Registrar shall have manually executed the Certificate of Authentication and Registration on such Bonds, substantially in the form set forth in Section 3.09. Any such executed Certificate of Authentication and Registration upon any such Bonds shall be conclusive evidence that such Bonds have been authenticated, registered and delivered under this Ordinance. The Certificate of Authentication and Registration on the Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Bond 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 Bond shall be conclusively deemed to have agreed that such Bond 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 the Bond remains outstanding, the Bond Registrar shall keep and maintain books for the registration and transfer of the Bonds.

The registered Bond 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 the Bond or transferring the registered Bond are exercised, the Bond shall be delivered in accordance with the provisions of this Ordinance. Any Bond surrendered in any such exchanges or transfers shall forthwith be canceled by the Bond Registrar. For every such exchange or transfer of the Bond, 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 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 the Bond during the period commencing on the 15th day of the month preceding an interest payment date on the Bond or, in the case of any proposed redemption of the Bond, next preceding the date of the selection of the Bond to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bond 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 Bond 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 canceled 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. Bond not to be Indebtedness of the Issuer. The Bond 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, on parity with the Prior Bonds, derived from the operation of the System as herein provided and amounts, if any, in the Series 2012 Bond Reserve Account. No holder of the Bond shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Bond or the interest thereon.

Section 3.08. Bond Secured by Pledge of Net Revenues. The payment of the debt service of the Bond shall be secured by a lien on the Net Revenues derived from the System on parity with the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bond and the Prior Bonds and to make the payments into the Series 2012 Bond Sinking Fund, the Series 2012 Bond Reserve Account therein and the Renewal and Replacement Fund, hereinafter established, are hereby irrevocably pledged to the payment of the principal of and interest on the Bond as the same become due.

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

(FORM OF SERIES 2012 BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF SPENCER
WATER REVENUE BOND, SERIES 2012

No. R-1 **$394,000.00** **Date: September 13, 2012**

KNOW ALL MEN BY THESE PRESENTS: That CITY OF SPENCER, a municipality, public corporation and political subdivision of the State of West Virginia in Roane 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 order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the sum of Three Hundred Ninety-four Thousand and 00/100 Dollars ($394,000.00), or such lesser amount as set forth on the Record of Advances attached as Exhibit A hereto and incorporated herein by reference, plus interest on the unpaid principal balance at the rate of two and 125/1000 percent (2.125%) per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing on the 30th day following delivery of the Bond and continuing on the corresponding day of each month for the first twenty-four (24) months after the date hereof, and $1,261.00 covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of forty (40) years from the date of this Bond, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Issuer as requested by Issuer and approved by the Government, and interest shall accrue on the amount of each advance from its actual date as shown on the Record of Advances attached hereto and made a part hereof.

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to the principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Issuer. Refunds and extra payments, as defined in the regulations of the Rural Development, according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of Issuer to pay the remaining installments as scheduled herein.

If the Government at any time assigns this Bond and insures the payment thereof, Issuer shall continue to make payments to the Government as collection agent for the holder.

While this Bond is held by an insured lender, prepayments as above authorized made by Issuer may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Issuer, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Issuer, and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security herefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Issuer to the Government without demand. Issuer agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

The Issuer hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

This Bond is issued (i) to pay a portion of the costs of acquisition, construction and equipping of certain additions, betterments and improvements to the public water facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance hereof and related costs. The water system of the Issuer, together with the Project, and any further extensions, additions, betterments or improvements thereto is 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 of the West Virginia Code of 1931, as amended (the "Act"), and an Ordinance duly enacted by the Issuer and effective September 6, 2012 (the "Ordinance"), and is subject to all the terms and conditions thereof. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bond under the Ordinance.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System, from moneys in the Reserve Account created or continued under the Ordinance for the Bonds (the "Bond Reserve Account") and unexpended proceeds of the Bond, on parity with the Issuer's Waterworks System Bond, Series 1974, Water Revenue Bond, Series 1991, Water Revenue Bond, Series 1993, Water Revenue Bond, Series 1998, Water Revenue Bond, Series 2009, and Water Revenue Bond, Series 2010 (collectively, "Prior Bonds"). Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate

indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Bond Reserve Account and unexpended proceeds of the Bond. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System and to leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount payable in any year for principal of and interest on the Bond and the Prior Bonds, and all other obligations secured by a lien on or payable from such net revenues prior to or on parity with the Bond, provided however, that so long as there exists in the Bond Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bond in the then current or any succeeding year and in the reserve account established for any other obligations outstanding prior to or on parity with the Bond, an amount at least equal to the requirement therefor, such percentage may be reduced to one hundred ten percent (110%).

The Issuer has entered into certain further covenants with the registered owner of the Bond for the terms of which reference is made to the Ordinance. Remedies provided the registered owner of the Bond are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of the Issuer, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the herein defined Bond Resolution, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of authorized denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

This Bond, under the provisions of the Act, is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may only be transferred by transfer of registration hereof with the Bond Registrar.

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

If at any time it shall appear to the Government that Issuer may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, Issuer will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government,

This Bond is given as evidence of a loan to Issuer made or insured by the Government pursuant to the Consolidated Farmers Home Rural Development Act, as amended. This Bond shall be subject to the present regulations of Rural Development and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ON A PARITY AS TO LIEN AND SOURCE OF PAYMENT WITH THE WATERWORKS SYSTEM BOND, SERIES 1974, WATER REVENUE BOND, SERIES 1991, WATER REVENUE BOND, SERIES 1993, WATER REVENUE BOND, SERIES 1998, WATER REVENUE BOND, SERIES 2009, AND WATER REVENUE BOND, SERIES 2010 OF THE ISSUER DESCRIBED IN THE ORDINANCES ADOPTED WITH RESPECT TO EACH SERIES.

The initial address of Government for purposes of bond registration is 1550 Earl Core Road, Suite 101, Morgantown, WV 26505.

This Bond will be in default should any proceeds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as set forth in Exhibit M of subpart G of Part 1940 of Title 7 of the Code of Federal Regulations, as amended.

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

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

IN WITNESS WHEREOF, CITY OF SPENCER 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 September 13, 2012.

CITY OF SPENCER

[SEAL]

By: _____
Mayor

ATTEST:

_____
Recorder

ASSIGNMENT

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

Dated: _____, 201_.

_____
(Assignor)

Witnessed in the presence of:

_____

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) $130,739.06	9/13/12	(6) $	
(2) $		(7) $	
(3) $		(8) $	
(4) $		(9) $	
(5) $		(10) $	

TOTAL $

Section 3.10. Sale of Bond; Incorporation of Terms. The Series 2012 Bond shall be held to RD pursuant to the terms and conditions of the Letter of Conditions from RD dated December 21, 2009. If not so authorized by previous ordinance or resolution, the Mayor is specifically authorized and directed to accept the Letter of Conditions, as amended, from RD, with such changes, insertions and omissions as may be approved by the Mayor, the execution of which shall be conclusive evidence of such approval, and any such prior execution and delivery is hereby authorized, ratified and approved.

Section 3.11. Certificate of Consulting Engineers. Prior to the issuance of the Bond, the Issuer must obtain the certificate of the Consulting Engineers to the effect that the Project will be constructed in accordance with the approved plans and specifications, as submitted to RD, the Project is or will be adequate for the purposes for which it was designed, and the funding plan, as submitted to RD, is sufficient to pay the costs of the acquisition and construction of the Project.

ARTICLE IV

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 4.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created or continued 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:

(1) Revenue Fund or System Revenue Fund;

(2) Operation and Maintenance Fund;

(3) Renewal and Replacement Fund; and

(4) Construction Fund.

Section 4.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created or continued with the Commission:

(1) Series 2012 Bond Sinking Fund;

(a) Within the Series 2012 Bond Sinking Fund, the Series 2012 Bond Reserve Account.

Section 4.03. System Revenues; Flow of Funds.

A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the System Revenue Fund established herein. The Revenue Fund shall constitute a trust fund for the purposes provided in this Ordinance and shall be kept separate and distinct from

all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided.

(1) The Issuer shall first each month transfer from the Revenue Fund to the Operation and Maintenance Fund the amount necessary and sufficient to pay current Operating Expenses.

(2) The Issuer shall next, each month, on or before the due date of payment of each installment on the Bonds, transfer from the Revenue Fund and remit to the National Finance Office designated in the Bond (or such other place as may be provided pursuant to the Bond), the amount required to pay the interest on the Bond, and to amortize the principal of the Bonds over the respective lives of each Bond issue. All payments with respect to principal of and interest on the Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amount thereof outstanding and on parity with each other. There is hereby created a sinking fund at the Depository Bank into which the Issuer shall deposit sufficient amounts from the Revenue Fund to pay the interest on the Bonds and to amortize the principal of the Bonds over the remaining respective lives of each Bond issue. As long as the Government owns the Bonds, such deposits can be replaced by the remittances described above.

(3) The Issuer shall next, on the first day of each month, commencing one (1) month prior to the first date of payment of principal and interest of the Bond, if not fully funded upon issuance of the Bond, apportion and set apart out of the Revenue Fund and remit to the Commission, on a pro rata basis with the Prior Bonds, for deposit into the Series 2012 Bond Reserve Account, an amount equal to .833% of the Series 2012 Bond Reserve Requirement; provided, that no further payments shall be made into the Series 2012 Bond 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 Bond Reserve Requirement.

Moneys in the Series 2012 Bond Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, as the same shall become due. Moneys in the Series 2012 Bond Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Bond, as the same shall come due, when other moneys in the attendant Series 2012 Bond Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 2012 Bond Sinking Fund and Series 2012 Bond 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 Construction 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 payments, if any, due on the respective series of bonds, and then to the next ensuing principal payments due thereon.

Any withdrawals from the Series 2012 Bond Reserve Account which result in a reduction in the balance of the Series 2012 Bond Reserve Accounts to below the Series 2012 Bond Reserve

Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full, to the Series 2012 Bond Sinking Fund for payment of debt service on the Bond.

B. As and when additional bonds ranking on parity with the Bond and the Prior Bonds are issued, provision shall be made for additional payments into the Sinking Fund sufficient to pay the interest on such additional parity bonds and accomplish retirement thereof at maturity and to accumulate a balance in the appropriate reserve account in an amount equal to the maximum provided and required to be paid into the Sinking Fund in any year for account of the bonds of such series, including such additional bonds which by their terms are payable from such Sinking Fund.

The Issuer shall not be required to make any further payments into the Series 2012 Bond Sinking Fund or into the Series 2012 Bond Reserve Account therein when the aggregate amount of funds in said Series 2012 Bond Sinking Fund and Series 2012 Bond Reserve Account are at least equal to the aggregate principal amount of the Bond issued pursuant to this Ordinance then Outstanding and all interest to accrue until the maturity thereof.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2012 Bond Sinking Fund created hereunder, and all amounts required for said Series 2012 Bond Sinking Fund shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein.

The payments into the Series 2012 Bond Sinking Fund shall be made on the first day of each month, except that when the first day of any month shall be a Sunday or legal holiday then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Ordinance.

Moneys in the Series 2012 Bond Reserve Account shall be invested and reinvested by the Commission in accordance with Section 7.01 hereof.

The Series 2012 Bond Sinking Fund, including the Series 2012 Bond Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Bond and any additional bonds ranking on parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

C. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Series 2012 Bond Sinking Fund, including the Series 2012 Bond Reserve Account therein and the Renewal and Replacement Fund during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Such Surplus Revenues shall be used to redeem the Bond or for any lawful purposes of the System.

D. The Issuer shall remit from the Revenue Fund to the Commission, the Paying Agent or the Depository Bank, on such dates as the Commission, the Paying Agent or the Depository Bank,

as the case may be, shall require, such additional sums as shall be necessary to pay the Commission's fees, the Paying Agent's fees and the Depository Bank's charges then due.

E. First Neighborhood Bank, Inc. is hereby designated the Depository Bank. The Commission is hereby designated as Paying Agent for the Bond.

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

G. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this Section 4.03, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

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

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

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

Section 4.04. Excess Bond Proceeds. The Issuer shall place any excess proceeds from the Bonds not required by the Project in the Series 2012 Bond Reserve Account or as otherwise directed by RD.

ARTICLE V

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 5.01. Application of Bond Proceeds. From the moneys received from time to time from the sale of the Bond, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Bond, there shall be deposited with the Commission in the Series 2012 Bond Reserve Account the sum, if any, required hereunder for funding the Series 2012 Bond Reserve Account.

B. The remaining moneys derived from the sale of the Bond shall be deposited by the Issuer as received from time to time in the Construction Fund established hereunder.

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

Section 5.02. Disbursements From the Construction Fund. Payments for Costs of the Project shall be made monthly.

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

Except as provided in Section 5.01 hereof, disbursements from the Construction Fund shall be made only after submission to, and approval by, RD of the following:

(1) a completed and signed "Payment Requisition Form," and

(2) a certificate, signed by an Authorized Officer and the Consulting Engineers, stating:

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

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

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

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

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

Pending such application, moneys in the Construction Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

Until disbursed by the Issuer, moneys in the Construction Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VI

ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Ordinance shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bond. In addition to the other covenants, agreements and provisions of this Ordinance, the Issuer hereby covenants and agrees with the Holders of the Bond as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as said Bond or the interest thereon is Outstanding and unpaid.

Section 6.02. Bond Not to be Indebtedness of the Issuer. The Bond shall be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Ordinance. No Holder or Holders of the Bond shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Bond or the interest thereon.

Section 6.03. Bond Secured by Pledge of Net Revenues. The payment of the debt service of the Bond issued hereunder shall be secured forthwith on parity with the Net Revenues with the Prior Bonds derived from the operation of the System including any other fees collected by the Issuer and imposed by the tariff approved by the Governing Body of the Issuer on November 13, 2009. The Revenues derived from the System, in amounts sufficient to pay the principal of and interest on the Bond and to make the payments into the Series 2012 Bond Sinking Fund, including the Series 2012 Bond Reserve Account therein, and all other payments provided for in the Ordinance and the tariff are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Bond as the same become due, and for the other purposes provided in the Ordinance.

Section 6.04. Rates. Prior to issuance of the Bond, equitable rates or charges for the proposed and/or actual use of and service rendered by the System have been or will be 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. The Issuer shall take the necessary actions with respect to the imposition of rates at such times and with such provisions with respect to interest rate and maturity of the Bond to finance the issuance of the Bond as the purchaser thereof shall require. 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 (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each Fiscal Year equal to at least one hundred fifteen percent (115%) of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Bond and the Prior Bonds; provided that, in the event that amounts at least equal to or in excess of the Reserve Requirements are on deposit in the Series 2012 Bond Reserve Account and the Reserve Accounts for the Bond and the Prior Bonds are funded at least at the requirement provided for in the Ordinance, such balances each Fiscal Year need only equal at least one hundred ten percent (110%) of the maximum amounts required in any succeeding Fiscal Year for payment of principal of and interest on the Bond and the Prior Bonds.

Section 6.05. Completion, Operation and Maintenance; Schedule of Costs. The Issuer shall simultaneously with the delivery of the Bond or immediately thereafter enter into written contracts for the immediate acquisition or construction of the Project. The Issuer will expeditiously complete the Project and will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of said System in the manner provided in the Ordinance.

Section 6.06. Sale of the System. Except as otherwise required by state law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Outstanding Bonds and effectively defease this Ordinance in accordance with Section 9.01 hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Outstanding Bonds, immediately be remitted to the Commission for deposit in the Series 2012 Bond Sinking Fund, and, with the written permission of the Government, or in the event the Government is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Outstanding Bonds. Any balance remaining after the payment of all the Outstanding Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of $10,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such

property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $10,000 and not in excess of $50,000, shall with the written consent of RD, be remitted by the Issuer to the Commission for deposit in the Series 2012 Bond Sinking Funds and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the redemption price of such Bonds. Such payment of such proceeds into the Series 2012 Bond Sinking Funds or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Ordinance. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay all Bonds then outstanding without the prior approval and consent in writing of RD, of sixty-six and two-thirds percent (66 2/3%) in amount of the Bonds then outstanding. The Issuer shall prepare the form of such approval and consent for execution by RD for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 6.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 6.07 and in Section 6.08B, the Issuer shall not issue any obligations whatsoever with a lien on or otherwise payable from any source of payment pledged originally 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 Bond. All obligations issued by the Issuer after the issuance of the Bond 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 Bond; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the Series 2012 Bond Reserve Accounts and the Renewal and Replacement Fund at the time of the issuance of such subordinate obligations have been made and are current.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on parity with the lien of the Bond, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Bond and the interest thereon in this Ordinance, or upon the System or any part thereof. The Issuer will give RD prior written notice of the issuance of other obligations to be used for the Project, payable from System revenues or grants for the Project.

Section 6.08. Parity Bonds. A. No Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Bond issued pursuant to this Ordinance, 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 Bond and Prior Bonds and shall be issued with the written consent of the Government.

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

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Recorder a written statement by the Independent Certified Public Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any twelve (12) consecutive months, within the eighteen (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 three (3) succeeding years after the completion of the improvements to be financed by such Parity Bonds, shall not be less than one hundred fifteen percent (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 Series 2012 Bond and Prior 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 three (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 adopted by the Issuer, the period for appeal of which has expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the Recorder prior to the issuance of such Parity Bonds.

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

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

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

increased payments into the various funds and accounts created in this Ordinance required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Ordinance.

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

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

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in this Ordinance with respect to the Bond then outstanding, and any other payments provided for in this Ordinance, 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 Ordinance.

B. Notwithstanding the foregoing, the Issuer may issue Parity Bonds without compliance with any other conditions for the purpose of refunding prior to maturity any issues or series of bonds, provided that the annual debt service required on account of the refunding bonds and the bonds which are not refunded shall not be greater in any year in which the bonds not refunded and the refunding bonds are to be Outstanding than the annual debt service required in such year if the bonds to be refunded were not so refunded.

Section 6.09. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, the costs of acquiring the Project site, construction, and installing the Project, and RD 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 Issuer shall keep complete and accurate records of the costs of designing the System, acquiring the Project site and acquiring, constructing and installing the Project. The Issuer shall permit RD, or its 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 RD such documents and information as it may reasonably require in connection with the design, 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 RD, or its agents and representatives, to inspect all records pertaining to the construction and operation 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 shall 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 owner of a Bond or Bonds issued pursuant to the Ordinance 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. The Issuer shall maintain separate control accounting records. Subsidiary records as may be required shall be kept in the manner and on the forms, books and other bookkeeping records as prescribed by the Governing Body. The Governing Body shall prescribe and institute the manner by which subsidiary records of the accounting system, which may be installed remote from the direct supervision of the Governing Body shall be reported to such agent of the Issuer as the Governing Body shall direct.

The Issuer shall file with the Consulting Engineers and RD 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 Ordinance with respect to said Bonds and the status of all said funds and accounts.

(C) The amount of any Outstanding Bonds or other obligations outstanding and secured by a lien on the Net Revenues of the System.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with the applicable OMB Circular, or any successor thereto, and the Single Audit Act, or any successor thereto, and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to the Holder of the Bond and shall submit said report to RD. Such audit report submitted to RD shall include a statement that the Issuer is in compliance with the terms and provisions of this Ordinance and the Act and that Gross Revenues are adequate to meet operation/maintenance expenses and debt service requirements.

The Issuer shall permit RD, or its agents and representatives, to enter and inspect the Project site and Project facilities at all reasonable times. Prior to, during and after completion of construction of the Project, the Issuer shall also provide RD, or its agents and representatives, with access to the plans, drawings, specifications, System site and System facilities as may be reasonably

necessary to accomplish all of the powers and rights of RD with respect to the System pursuant to the Act.

Section 6.10. Compliance With Ordinance, Rules and Regulations. The Issuer hereby covenants and agrees to perform and satisfy all terms and conditions of this Ordinance and to comply with all applicable laws, rules and regulations issued by the Government, or other state, federal or local bodies in regard to the construction of the Project and operation, maintenance and use of the System.

Section 6.11. Operating Budget and Audit. The Issuer shall annually, at least forty-five (45) days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated reserves and expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of ten percent (10%) of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall, within thirty (30) days of the adoption thereof, mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to RD and to any Holder of the Bond, who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to RD, or anyone acting for and on behalf of such Holder of the Bond.

In addition, the Issuer shall annually cause the records of the System to be audited by an Independent Certified Public Accountant, the report of which audit shall be submitted to RD and which audit report shall include a statement that the Issuer is in compliance with the terms and provisions of this Ordinance.

Section 6.12. Engineering Services and Operating Personnel. The Issuer shall provide and maintain competent and adequate resident engineering services satisfactory to RD covering the supervision and inspection of the construction of the Project and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such resident engineer shall certify to RD and the Issuer at the completion of construction that construction of the Project is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

The Issuer shall require the Consulting Engineers to submit the As-Built Plans to it within sixty (60) days of the completion of the Project.

Section 6.13. 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 6.14. 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 thirty (30) days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid, to the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia. Rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System and any services and facilities of the water system, if so owned by the Issuer, to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services of either system until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 6.15. 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 6.16. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Bond remains Outstanding, the Issuer and its contractors and subcontractors 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 Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the prime contractor and all subcontractors, as their respective interests may appear, during construction of the Project on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of RD, the Issuer, the contractors and subcontractors, as their interests may appear.

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

(3) WORKERS' COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT BONDS, such bonds to be in the amounts of one hundred percent (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, to the extent available at reasonable cost to the Issuer.

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

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 one hundred percent (100%) of the contract price of the portion of the Project covered by the particular contract as security for the faithful performance of such contract.

C. The Issuer shall also require all contractors engaged in the construction of the Project to carry such Workers' Compensation coverage for all employees working on the Project and public

liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project. Such insurance shall be made payable to the order of RD, the Issuer, the prime contractor and all subcontractors, as their interests may appear.

Section 6.17. Completion of Project; Permits and Orders. The Issuer will complete the Project as promptly as possible and operate and maintain the System in good condition and in compliance with all federal and State requirements and standards.

The Issuer will obtain all permits required by State and federal laws for the acquisition and construction of the Project and all orders and approvals from the West Virginia Public Service Commission necessary for the acquisition and construction of the Project and the operation of the System.

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

A. PUBLIC PURPOSE BONDS. The Issuer shall use the Bond proceeds solely for the Project and as otherwise set forth herein, and the Project will be solely operated as a public purpose and as a local governmental activity of the Issuer.

B. PRIVATE ACTIVITY BOND COVENANT. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bond from the treatment afforded by Section 103(a) of the Code by reason of the classification of the Bond as "private activity bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code in order to assure the tax-exempt status of the Bond.

C. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of five percent (5%) of the Net Proceeds of the Bonds 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.

D. 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 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code and Regulations promulgated thereunder.

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

F. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it (including those deemed necessary by RD) so that the interest on the 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 those determined by RD) which would adversely affect such exclusion.

Section 6.19. Public Service Commission Approval. The Issuer shall obtain all requisite orders of and approvals from the Public Service Commission of West Virginia necessary for the construction of the Project and operation of the System, and RD shall receive an opinion of counsel to the Issuer to such effect.

Section 6.20. Compensation of Members of Governing Body. The Issuer hereby covenants and agrees that no compensation for policy direction shall be paid to the members of the Governing Body in excess of the amount permitted by the Act. Payment of any compensation to any such member for policy direction shall not be made if such payment would cause the Net Revenues to fall below the amount required to meet all payments provided for herein, nor when there is default in the performance of or compliance with any covenant or provision hereof.

Section 6.21. Statutory Mortgage. For the further protection of the holders of the Bond, 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 and shall take effect immediately upon delivery of the Bonds.

Section 6.22. Restrictions on Use of Bond Proceeds. The Issuer agrees that it will be in default hereunder if any Bond proceeds are used for a purpose that contributes to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

ARTICLE VII

INVESTMENT OF FUNDS

Section 7.01. Investments. Any moneys held as a part of the funds and accounts created by this Ordinance, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Depository Bank, or such other bank or national banking association holding such fund or account, as the case may be, at the written direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Ordinance and the need for such moneys for the purposes set forth herein.

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, 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 the Bond is outstanding.

ARTICLE VIII

DEFAULT AND REMEDIES

Section 8.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Bond or the Prior Bonds:

(1) If default occurs in the due and punctual payment of the principal of the Bond or the Prior Bonds; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Bond set forth in this Ordinance, any Supplemental Resolution or the Bond or in the Prior Bonds or the ordinance and resolution which authorized the Prior Bonds, and such default shall have continued for a period of thirty (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 the Bond or the Prior Bonds; 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.

Section 8.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of Outstanding Bonds 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 then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Ordinance 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 Outstanding Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Outstanding Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Ordinance with respect to the Outstanding Bonds, or the rights of such Registered Owners. Any such remedies shall be exercised in a manner benefiting the holder of the Series 2012 Bond and the Prior Bonds on a parity basis.

Section 8.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Ordinance 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 Bond any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System 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 Bond and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Ordinance and the Act.

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

Whenever all that is due upon the Bond and under any covenants of this Ordinance 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 Ordinance shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Registered Owner of the Bond shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Bond. 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 Owner of such Bond and the curing and making good of any Event of Default with respect thereto under the provisions of this Ordinance, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE IX

(RESERVED)

ARTICLE X

RATES, RULES, COVENANTS, ETC.

Section 10.01. Initial Schedule of Rates and Charges.

A. The initial schedule of rates and charges for the services and facilities of the System are set forth in a Tariff on file with the Public Service Commission effective for all service rendered on or after October 18, 2009, which Tariff is incorporated herein by reference and is made a part hereof.

B. The Issuer hereby ratifies a Rate Ordinance enacted on November 13, 2009, which sets forth the rates and charges as set out in the above-referenced order and included on the tariff sheet filed with the Public Service Commission.

Section 10.02. Further Covenants.

The Issuer hereby further covenants and agrees as follows:

A. There shall not be any discrimination or differential in rates between customers in similar circumstances.

B. The Issuer may require any applicant for any service by the System to deposit a reasonable and equitable amount to insure payment of all charges for the services rendered by the System, which deposit shall be handled and disposed of under the applicable rules and regulations of the Public Service Commission of West Virginia.

C. The Issuer, to the extent permitted by law, will not accept payment of any water bill from a customer served with water and water services by the Issuer without payment at the same time of a water bill owed by such customer for the same premises.

D. All delinquent fees, rates and charges for services or facilities of the System shall be liens on the premises served of equal degree, rank and priority with the lien on such premises of state, county, school and municipal taxes, as provided in the Act. The Issuer shall have such remedies and powers as are provided under the Act and other applicable provisions of law with regard to the collection and enforcement of such fees, rates and charges.

E. The Issuer will not render or cause to be rendered any free services of any nature by the System nor any of the facilities; and in the event that the Issuer or any department, agency, officer or employee thereof should avail itself or themselves of the services or facilities of the System, the same fees, rates and charges applicable to other customers receiving like services under similar circumstances shall be charged, such charges shall be paid as they accrue, and

revenues so received shall be deposited and accounted for in the same manner as other Revenues of the System.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Filing Under Uniform Commercial Code. Contemporaneously with the delivery of the Bond, the Issuer shall execute Financing Statements meeting the requirements of the Uniform Commercial Code of West Virginia and promptly thereafter shall file such Financing Statements in the office of the Secretary of State of West Virginia.

Section 11.02. Delivery of Bond. The Mayor and Recorder of the Governing Body are hereby authorized and directed to cause the Bond, numbered R-1, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

Section 11.03. Payment of Bond. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holder of the Bond, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Ordinance, then, with respect to the Bond only, the pledge of Net Revenues and other moneys and securities pledged under this Ordinance and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Bond shall thereupon cease, terminate and become void and be discharged and satisfied. Except through such direct payment to the Holder of the Bond, the Issuer may not defease the Bond or otherwise provide for payment thereof by escrow or like manner.

Section 11.04. Severability of Invalid Provision. If any one or more of the covenants, agreements or provisions hereof should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions hereof, and shall in no way affect the validity of all the other provisions hereof or the Bond.

Section 11.05. Amendment or Modification of Ordinance. No material modification or amendment of this Ordinance, or of any ordinance or resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owner of the Bond shall be made without the consent in writing of the Registered Owners of 66 2/3% or more in principal amount of the Bond so affected and then Outstanding; provided, that no change shall be made in the maturity of the Bond 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 Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of the Bond required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Ordinance may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code as may be

necessary to assure the excludability of interest on the Bond from gross income of the holder thereof.

Section 11.06. Ordinance Constitutes Contract. The provisions of this Ordinance shall constitute a contract between the Issuer and the Registered Owner of the Bond, and no change, variation or alteration of any kind of the provisions of this Ordinance shall be made in any manner, except as in this Ordinance provided.

Section 11.07. Conflicting Provisions Repealed. All ordinances and orders, or parts thereof, in conflict with the provisions hereof are, to the extent of such conflicts, hereby repealed except the Prior Ordinances.

Section 11.08. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 11.09. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Ordinance do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State applicable thereto; and that the Mayor, 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 11.10. Supplemental Resolutions. The Issuer may pass such supplemental resolutions, if necessary, to effectuate the purposes and intent of this Ordinance.

Section 11.11. Effective Time. This Ordinance shall take effect immediately upon its adoption.

Section 11.12. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Bond Ordinance determined by the Governing Body to contain sufficient information as to give notice of the contents hereof shall be published once a week for two (2) successive weeks within a period of fourteen (14) consecutive days, with at least six (6) full days intervening between each publication, in a qualified newspaper published and of general circulation in the City of Spencer, together with a notice stating that this Bond Ordinance has been adopted and that the Issuer contemplates the issuance of the Bonds, and that any person interested may appear before the City Council upon a date certain, not less than ten (10) days subsequent to the date of the first publication of such abstract of this Bond Ordinance and notice, and present protests, and that a certified copy of the Ordinance is on file with the Governing Body for review by interested persons during office hours of the Governing Body. At such hearing, all objections and suggestions shall be heard, and the Governing Body shall take such action as it shall deem proper in the premises.

First Reading – August 2, 2012

Second Reading – August 9, 2012

Enacted Following Public Hearing – September 6, 2012

CITY OF SPENCER, WEST VIRGINIA

By: _____
Mayor

[SEAL]

ATTEST:

_____
Recorder

CERTIFICATION

The undersigned does hereby certify that the attached Ordinance is a true and accurate copy of an Ordinance duly enacted by the Council of the CITY OF SPENCER, WEST VIRGINIA on and effective on September 6, 2012, and that the foregoing document remains in full force and effect and has not been amended.

Dated: September 6, 2012.

[SEAL]

Recorder

5

SPENCER CITY COUNCIL
REGULAR MEETING
August 2nd, 2012

Spencer City Council met in regular session, August 2nd, 2012. The meeting was called to order at 6:04 pm with a prayer by Council Member David Holland, followed with the Pledge of Allegiance by Council Member Cecil Banks.

Those present were Mayor Terry A. Williams, Council Members Cecil Banks, David Holland, Robin Stump, and Toby Ford. Council member Aaron Richardson arrived at 6:15. Others present were Rob Miller, Jim Cooper, Crystal Ford and Brian Hickman.

Minutes of the Regular Meeting of July 5th, 2012 and Special Meeting of July 25th, 2012 were approved upon a motion by Cecil Banks, seconded by Robin Stump and approved by 4 yeas. (Aaron Richardson being absent for this approval).

Council heard a report from Public Works Director Rob Miller on current projects. Miller told council the Sewer Line Repair Project in Green Acres on Dodd Drive was complete. The repair replaced old problem lines improving the service for six homes. Miller gave update on the damage to city property from the recent storms of June 29th and July 3rd. The cost of the cleanup and damage to property including computer systems for the water treatment plant and the city building could go over $100,000. He is expecting assistance from FEMA to help cover some of the costs. Council also learned that repair work had begun on the foot bridge over Spring Creek behind the Spencer Middle School and was expected to be complete before school starts.

Council approved on First Reading by Title Only a Bond Ordinance authorizing the construction of additions, betterments and improvements for the public water system of the City of Spencer, West Virginia. This project covers the replacement of old water lines in the downtown area and along Route 14 extending to and including Oak Drive. The cost of the project is estimated to be $1,500,000 with $1,106,000 coming from a USDA RD Grant with the loan balance of $394,000 paid at 2%. The motion to approve was made by David Holland, seconded by Cecil Banks and approved by all.

Council heard Marketing and Project update from Mayor Williams. Williams told council that Spencer Market Days had been successful and would continue on the 1st Saturday of each month and the Spencer Farmers Market had been doing very well. Planning is underway on the upcoming Black Walnut Festival including attracting sponsors for events, event planning and working on the program. Plans are to keep the total cost of the festival in the $60,000 range while spending $12,000 to $15,000 on marketing. Council also learned that the Abatement of seven old structures had been completed and their removal would be completed as time allowed.

Council heard update on the Safety Program from Safety Manager Rob Miller. Miller told council that all safety procedures were being followed and there had been no safety problems or injuries to report.

Council approved Financial Statements from the City of Spencer and Spencer Waterworks for the month of June 2012. The motion to approve was made by David Holland, seconded by Aaron Richardson and approved by all.

Council reviewed the budget for fiscal year 2011/2012.

The meeting was adjourned at 6:55 PM upon a motion by Toby Ford, seconded by Aaron Richardson and approved by all.

Recorder

Mayor

SPENCER CITY COUNCIL

SPECIAL MEETING

August 9, 2012

Spencer City Council met in special session, August 9, 2012. Recorder David Holland called the meeting to order at 12:02 p.m.

Those present were Recorder David Holland, Council members Cecil Banks, Aaron Richardson, and Robin Stump. Absent was Mayor Terry A Williams and Council Member Toby Ford.

Council approved on Second Reading by Title Only a Bond Ordinance authorizing the construction of additions, betterments and improvements for the Public Water System of the City of Spencer, West Virginia. The project covers the replacement of old water lines in the downtown area and along Route 14 extending to and including Oak Drive. The cost of the project is estimated to be $1,500,000 with $1,106,000 coming from a USDA RD Grant with the loan balance of $394,000 paid at 2%. The motion to approve was made by Aaron Richardson, seconded by Robin Stump and approved with 4 yeas.

The motion to adjourn at 12:15 pm was made by Cecil Banks, seconded by Robin Stump and approved with 4 yeas

David A Holland
Mayor

Recorder

City of Spencer

116 COURT STREET
SPENCER, WEST VIRGINIA 25276

TELEPHONE 304-927-1640

Terry A. Williams, Mayor

PUBLIC MEETING SEPTEMBER 6, 2012

A Public Meeting was held on September 6, 2012 at 5:30 pm at the City of Spencer Municipal Building regarding a proposed improvement to the Spencer Water System. Water distribution system improvements would include the replacement of approximately 10,600 l.f. of water main and necessary appurtenances, and repainting of Ward Water Storage Tank and necessary appurtenances.

The Ordinance is Authorizing the Construction of Additions, Betterments and Improvements for the Public Water System of the City of Spencer, West Virginia; and the Financing of a Portion of the Cost Thereof Through the Issuance by the City of not to Exceed $394,000 in Aggregate Principal Amount of Water Revenue Bond, Series 2012, for the Acquisition, Construction and Equipping of the Public Water System Through Financing to be Obtained by the City at a Cost Estimated to be Approximately $1,500,000; With Bond Proceeds to be Used, Along with Other Funds and Moneys of, or Available to, the City of Spencer Which May Be Lawfully Expended for Such Purposes, and to Pay Other Costs in Connection Therewith; Providing for the Rights and Remedies of and Security for the Owner of Such Bond; Pledging Net Revenues, on a Parity Basis, as Security for the Bond; Placing Limitation on Sale of System; and Authorizing the Sale and Providing for the Terms and Provisions of Such Bond and Adopting Other Provisions Relating Thereto" (the "Ordinance") authorizing the issuance of Water Revenue Bond, Series 2012 (the "Bond"), of the City in the amount of $394,000. The Bond will provide a portion of the funds to finance the cost of the acquisition and construction of betterments and improvements for the existing water system of the City including the construction of new and replacement lines and other improvements within the City.

Present were Mayor Terry Williams, Councilman Cecil Banks, and Attorney Bill Bragg.

Discussion of the projects took place and everyone was in agreement that the projects should be put into effect.

Meeting adjourned at 5:40 p.m.

AFFIDAVIT

I, David Holland, Recorder of the City of Spencer, hereby certify that notice of a public hearing on the issuance of a water revenue bond to be held on Thursday, September 6, 2012, at 5:30 p.m., was given and posted as required by statute.

WITNESS my signature as of the 13th day of September, 2012.

David G. Holland

Recorder

STATE OF WEST VIRGINIA,

COUNTY OF ROANE, to-wit:

I, Annette Stover, a Notary Public in and for said county and state, hereby certify that David Holland, who signed the foregoing Affidavit as Recorder of the City of Spencer, has this day acknowledged said writing to be his free act and deed.

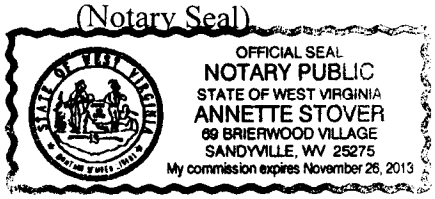
Dated as of the 13th day of September, 2012.

My commission expires Nov. 25, 2013.

Annette Stover

Notary Public

(Notary Seal)



NOTICE TO RESIDENTS OF THE CITY OF SPENCER, ROANE COUNTY, WEST VIRGINIA, AND OTHER PERSONS INTERESTED IN ORDINANCE FOR PROPOSED ISSUANCE OF $394,000 WATER REVENUE BOND, SERIES 2012

Pursuant to the provisions of West Virginia Code Chapter 8, Article 19, as amended, you hereby notified that at a meeting of the City Council (the "Council") of the City of Spencer, West Virginia (the "City"), to be held on the 6th day of September, 2012, the Council will consider for passage and adoption on second reading an Ordinance entitled "Ordinance Authorizing the Construction of Additions, Betterments and Improvements for the Public Water System of the City of Spencer, West Virginia, and the Financing of a Portion of the Cost Thereof Through the Issuance by the City of not to Exceed $394,000 in Aggregate Principal Amount of Water Revenue Bond, Series 2012, for the Acquisition, Construction and Equipping of the Public Water System Through Financing to be Obtained by the City at a Cost Estimated to be Approximately $1,500,000; With Bond Proceeds to be Used, Along with Other Funds and Moneys of, or Available to, the City of Spencer Which May Be Lawfully Expended for Such Purposes, and to Pay Other Costs in Connection Therewith; Providing for the Rights and Remedies of and Security for the Owner of Such Bond; Pledging Net Revenues, on a Parity Basis, as Security for the Bond; Placing Limitation on Sale of System; and Authorizing the Sale and Providing for the Terms and Provisions of Such Bond and Adopting Other Provisions Relating Thereto" (the "Ordinance") authorizing the issuance of Water Revenue Bond, Series 2012 (the "Bond"), of the City in the amount of $394,000. The Bond will provide a portion of the funds to finance the cost of the acquisition and construction of betterments and improvements for the existing water system of the City including the construction of new and replacement lines and other improvements within the City.

The entire amount of the principal of and interest on the Bond will be paid solely and only from the revenues received from operation of the water system of the City to be amortized over a period of 38 years. The Bond shall be on a parity with the existing 1974, 1991, 1993, 1998, 2009 and 2010 Bonds described in the Ordinance. The Ordinance provides provisions with respect to the final interest rate which may be but cannot exceed 2.50% per annum which may be finally determined therein or by supplemental resolution.

A certified copy of the Ordinance and a copy of the plans and specifications of the proposed project are available for examination by any interested person at the Mayor's Office during regular office hours of such office which are 9:00 a.m. to 4:00 p.m., Monday through Friday.

A public hearing will be held before the Council at the City Municipal Building at 116 Court Street on the 6th day of September, 2012, at 5:30 p.m., and any person or persons interested may appear before the Council and be heard as to whether or not the Ordinance shall be put into effect. All suggestions, protests and objections to the issuance of the Bond will be heard by the Council.

Dated this 9th day of August, 2012.

THE CITY OF SPENCER
Roane County, West Virginia
Terry A. Williams, Mayor
David Holland, Recorder

2t 8/23-30/12 RCR

AFFIDAVIT OF PUBLICATION

STATE OF WEST VIRGINIA, COUNTY OF ROANE, To-wit: I, Starr Hedges, do solemnly swear that I am Legal Advertising Manager of Spencer Newspapers Inc., a corporation, publisher of the newspaper entitled the **Roane County Reporter**, a Democratic newspaper; that I have been duly authorized to execute this affidavit of publication; that such newspaper has been published for more than one year prior to publication of the annexed notice described below; that such newspaper is regularly published weekly, for at least fifty weeks during the calendar year, in the Municipality of Spencer, Roane County, West Virginia; that such newspaper is a newspaper of "general circulation," as that term is defined in Article 3, Chapter 59 of the Code of West Virginia, 1931, as amended, within the publication area of the aforesaid municipality and county and adjoining counties; that such newspaper averages in length four or more pages, exclusive of any cover, per issue; that such newspaper is circulated to the general public at a definite price or consideration; that such newspaper is a newspaper to which the general public resorts for passing events of a political, religious, commercial and social nature, and for current happenings, announcements, miscellaneous reading matters, advertisements, and other notices; that the annexed notice of

NOTICE TO RESIDENCE – WATER REVENUE BOND

was published TWO time(s) in said newspaper on the following dates:

AUGUST 23 AND 30, 2012

and the cost of publishing this said notice was $125.58

Starr Hedges
Legal Advertising Manager

Subscribed and sworn to before me in my said county this 4th day of Sept, 2012

Angela D Burke
Notary Public of Roane County, West Virginia

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
ANGELA D. BURKE
8709 CHARLESTON ROAD
WALTON, WV 25286
My commission expires January 11, 2015

Rural Dev

United States Department of Agriculture
Rural Development
West Virginia State Office

December 21, 2009

The Honorable Terry A. Williams
Mayor, City of Spencer
116 Court Street
Spencer, WV 25276

Dear Mayor Williams:

This letter, with Attachments 1 through 8 and enclosures, establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. The loan and grant will be administered by the State and Area staff of USDA, Rural Development. Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by USDA, Rural Development, by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application.

The docket may be completed on the basis of an RD loan in the amount of $394,000, and an RD grant in the amount of $1,106,000, for a total project cost of $1,500,000.

The loan will be considered approved on the date a signed copy of Form RD 1940-1, "Request for Obligation of Funds," is mailed to you. The interest rate will be the lower of the rate in effect at the time of loan approval or the time of loan closing.

Extra copies of this letter are being provided for use by your engineer, attorney, bond counsel and accountant. All parties may access our web-site located at www.usda.gov/rus/water/ for the following:

a. RUS Instruction 1780
b. RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Standard Documents on Water and Waste Projects with RUS Financial Assistance"
c. RUS Bulletin 1780-30, "Water Programs Audit Guide and Compliance Supplement"
d. RUS Bulletin 1780-31, "Water Programs Compliance Supplement For OMB Circular A-133 Audits"

"USDA is an equal opportunity provider, employer and lender."
To file a complaint of discrimination write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800)795-3272 (voice) or (202) 720-6382 (TDD).

Government Auditing Standards (Revision 2007) (Accountant Copy) may be accessed at www.gao.gov/govaud/ybk01.htm.

The enclosures and attachments listed below are attached to the copies as noted. Enclosed are the following:

Attachment No. 1 – Project Construction Budget (All Copies)
Attachment No. 2 – Water and Waste Processing Checklist
Attachment No. 3 – Water Users Agreement
Attachment No. 4 – Declination Statement (Applicant and Attorney Copies)
Attachment No. 5 – Form RD 442-22, "Opinion of Counsel Relative to Rights-of-Way" (Attorney Copy)
Attachment No. 6 – Form RD 1927-9, "Preliminary Title Opinion" (Attorney Copy)
Attachment No. 7 – Form RD 1927-10, "Final Title Opinion" (Attorney Copy)
Attachment No. 8 – Various other RD forms as identified on Attachment No. 2

The conditions referred to above are as follows:

1. **American Recovery and Reinvestment Act of 2009 ("Recovery Act").**

Recovery Act requirements apply to this financing. In addition to the other conditions contained in this Letter of Conditions, you must understand and agree to these following conditions specific to the Recovery Act:

(a). Certifications. With respect to Recovery Act funds made available to State or local governments for infrastructure investments, Section 1511 of the Recovery Act requires the Governor, mayor or other chief executive, as appropriate, to certify that the infrastructure investment has been properly approved as required by law and that the chief executive accepts responsibility that the infrastructure investment is an appropriate use of taxpayer dollars. RD Water and Waste personnel will provide specific guidance on the information required in the certification.

(b). Reports on Use of Funds. Section 1512 of the Recovery Act requires each recipient receiving Recovery Act funding to provide specific information to the government on a periodic basis for inclusion in various internal and publicly-available reports. RD Water and Waste Program personnel will provide specific guidance on the type and frequency of information required to assist Recovery Act recipients in complying with this condition.

(c). Buy American. Section 1605 of the Recovery Act requires that all projects financed with Recovery Act funds be bid and constructed using only iron, steel and manufactured goods produced in the United States in accordance with Section 1605 of the Recovery Act. Specific guidance,

including contract provisions to be included in any construction contracts, will be provided under separate correspondence.

(d). Wage Rate Requirements. Section 1606 of the Recovery Act requires that all laborers and mechanics employed by contractors and subcontractors for the project will be paid wages at rates not less than those prevailing on projects of a character similar in the locality where this project will occur. Specific guidance, including contract provisions to be included in any construction or otherwise related contracts, will be provided under separate correspondence.

Compliance with the conditions in this section is required for financing under the Recovery Act. However, these conditions are not substitutes for, or in lieu of, the remaining conditions contained in this Letter of Conditions. Each of the conditions in this Letter of Conditions must also be understood and complied with to receive financing for your project.

2. **Fund Usage** – Funds obligated under the terms of this letter of conditions are committed on the basis that your project will proceed to the construction stage in an expedient manner. In accordance with RUS Staff Instruction 1782-1, Section 1782.20(u)(5), any funds not disbursed within 60 months from the date of obligation will be de-obligated and returned to the Department of Treasury for further disposition to other RD project applicants. In the event that USDA determines that your project has not progressed within the five (5) year timeline and that funds will be recaptured, you will be given appeal rights and due process to document reasons why you believe the decision to de-obligate your project funds is not justified.

3. **Loan Repayment** – The loan will be scheduled for repayment over a period of 40 years. The payments due the first 24 months will consist of interest only. Payments for the remaining 456 months will be equal amortized monthly installments. For planning purposes use a 2.5% interest rate and a monthly amortization factor of .00340, which provides for a monthly payment of $1,340. You have the option of participating in the PREAUTHORIZED DEBIT (PAD) payment process. It will allow for your payment to be electronically debited from your account on the day your payment is due. Your authority must establish and fund monthly a debt service reserve account, which equals 10% of your monthly payment each month until you accumulate the equivalent of one annual installment on your loan.

   You are reminded that your City may be required to refinance (graduate) the unpaid balance of its RD loan, in whole or in part, upon the request of RD if at any time it shall be determined the City is able to obtain a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods or time.

4. **Security** – The loan must be secured by a statutory lien of equal priority with the City's existing water revenue bonds, a pledge of the system's revenues and other agreements between you and RD as set forth in the bond ordinance which must be properly adopted and executed by the appropriate officials of your organization. Additional security requirements are contained in RUS Bulletin 1780-12 and RUS Bulletin 1780-27 which are mentioned later.

5. **Users** – This conditional commitment is based upon you providing evidence that there will be at least 2,125 bona fide users on the proposed system when it has been completed and is placed in operation. This evidence will consist of a certification from you that identifies and attests to the number of users that are actually connected to the City's existing water system which is to be partially replaced by the new system, at the time you request authorization to advertise the project for construction bids.

   Before RD can agree to the project being advertised for construction bids, you must provide evidence that the total required number of bona fide users has been acquired and currently using the system.

6. **Bond Counsel Services** – The services of a recognized bond counsel are required. The bond counsel will prepare the form of ordinance to be used, in accordance with Subpart D of RUS Instruction 1780. You should immediately provide your bond counsel with a copy of this letter of conditions, its attachments and enclosures.

7. **Accounting Services** – The Accountant's Agreement has been approved by RD. Compensation in the contract should include only those services identified and not include payment for construction management services from the accountant unless RD concurrence is obtained.

   RUS regulations noted above outline requirements for the submission of management reports and audits. Appropriate state statutes place certain audit requirements on your City. "Government Auditing Standards (Revised 2007)", which may be accessed at www.gao.gov/govaud/ybk01.htm, and RUS Bulletins 1780-30 and 1780-31, which may be accessed at our agency website listed above, outline audit requirements.

   You are reminded that certain provisions of the Office of Management and Budget Circular A-133 are applicable to any public body or nonprofit association that expends $500,000 or more in federal funds in any one fiscal year. You must enter into an agreement annually with an accountant (or the State Tax Department) to perform the audit. The agreement must be in accordance with the requirements of the State Tax Commissioner of West Virginia. Compensation for preparation of the A-133 audit or your annual audit are not included in project

funds and should be paid from the operational revenues generated from your system operation.

8. **Facility Control** – Prior to advertisement for construction bids, you must furnish satisfactory evidence that you have or can obtain adequate continuous and valid control over the lands and rights needed for the project. Such evidence must be in the following form:

    a. A right-of-way map showing clearly the location of all lands and rights needed for the project. The map must designate public and private lands and rights and the appropriate legal ownership thereof.

    b. A copy of deeds, contracts or options for any lands needed other than rights-of-way, along with a preliminary title opinion covering such lands. Form RD 1927-9, "Preliminary Title Opinion" may be used. In the case of your existing system or where the City already acquired real property (land or facilities), a preliminary title opinion(s) concerning all such property(s) will be provided.

    c. A narrative opinion from your attorney concerning all permits, certifications and other items necessary to show that all legal requirements can be met and stating how they will be met. This narrative should also identify any condemnation proceedings that are anticipated and state how they will be handled.

    d. A certification and legal opinion relative to title to rights-of-way and easements. Form RD 442-22, "Opinion of Counsel Relative to Rights-of-Way," may be used. This form may contain a few exceptions such as properties that must be condemned; however, prior to the start of construction or loan closing, whichever occurs first, a new Form RD 442-22, must be provided which does not provide for any exceptions. The attorney's legal opinion should include a certification that all requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and West Virginia State Code Chapter 54 have been met in the acquisition of both real property and rights-of-way. Such requirements may include, but are not limited to, distributing informational material to all affected property owners, and completing appraisals of the affected properties.

    e. On the day of loan closing, the City's attorney must furnish final title opinions on all land(s) being acquired. Form RD 1927-10, "Final Title Opinion" may be used. In the case of your existing system or where the City has already acquired real property(s) (land or facilities), the City's attorney will provide a separate final title opinion(s) covering such property(s) on the day of loan closing.

9. **Permits** – Copies of all permits needed for the project must be provided for review prior to advertisement for construction bids. Such permits will include but are not limited to the following:

   -West Virginia Department of Highways
   -State Department of Health
   -Department of Environmental Protection
   -Corps of Engineers
   -Public Land Corporation

10. **Public Service Commission Approvals** – You must obtain the following from the West Virginia Public Service Commission:

    a. A Certificate of Convenience and Necessity.

    b. Approval of user charges that are acceptable to you and the Rural Utilities Service.

    c. Approval of financing for the project's proposed financing arrangements.

    The "Rule 42" Exhibit to be attached to the Public Service Commission application must contain at least the information shown in Attachment No. 1. A copy of the Public Service Commission application and its "Rule 42" Exhibit must be provided for review.

11. **Insurance and Bonding** - Prior to loan closing or start of construction, whichever occurs first, you must acquire the types of insurance and bond coverage shown below. The use of deductibles may be allowed providing you have the financial resources to cover potential claims requiring payment of the deductible. RD strongly recommends that you have your engineer, attorney, and insurance provider(s) review proposed types and amounts of coverage, including any exclusions and deductible provisions. It is your responsibility and not that of RD to assure that adequate insurance and fidelity or employee dishonesty bond coverage is maintained.

    a. General Liability Insurance – This should include vehicular coverage.

    b. Workers' Compensation – In accordance with appropriate State laws.

    c. Position Fidelity Bond(s) – All positions occupied by persons entrusted with the receipt and/or disbursement of funds must be bonded. As a good business practice you will probably wish to have each position bonded in an amount equal to the maximum amount of funds to be under the control of that position at any one time.

The minimum coverage acceptable to RD once your project is in operation will be for each position to be bonded for an amount at least equal to one annual installment on your loan(s).

d. National Flood Insurance – In addition to meeting the requirements for the type of assistance requested, the following requirements must be met for financial assistance for acquisition and/or construction in designated special flood or mudslide prone areas:

   i. If flood insurance is available, you must purchase a flood insurance policy at the time of loan closing.
   ii. Applicants whose buildings, machinery or equipment are to be located in a community which has been notified as having special flood or mudslide prone areas will not receive financial assistance where flood insurance is not available.

e. Real Property Insurance – Prior to the acceptance of the facility from the contractor(s), you must obtain real property insurance (fire and extended coverage) on all above-ground structures, to include machinery and equipment housed therein. This does not apply to water reservoirs, standpipes, elevated tanks or noncombustible materials used in treatment plants, clearwells, filters and the like.

12. **Environmental Requirements** –

a. Mitigation – At the conclusion of the proposal's environmental review process, specific actions were negotiated with environmental regulatory officials to avoid or minimize adverse environmental impacts. Those action(s) are required for successful completion of the project and must be adhered to during project design and construction.

b. Project Modifications – The project as proposed has been evaluated to be consistent with all applicable environmental requirements. If the project or any project element deviates from or is modified from the original approved project, additional environmental review may be required.

13. **Vulnerability Assessments (VA) and Emergency Response Plans (ERP)** –

Congress enacted the Public Health Security and Bioterrorism Preparedness Response Act of 2002, Public Law 107-188 (Bioterrorism Act). The Bioterrorism Act amended the Safe Drinking Water (SDWA) to require all medium and large sized community water systems (serving populations greater than 3,300) to assess vulnerability to terrorist attack and develop emergency plans for response to such an attack. Medium and large community water systems are being monitored by the U.S. EPA for completion of VAs and ERPs.

Rural Development requires all financed water and wastewater systems to have a vulnerability assessment (VA) and an emergency response plan (ERP) in place. New water or wastewater systems must provide a certification that an ERP is complete prior to the start of operations. A certification that a VA is complete must be submitted within one year of the start of operations. All other borrowers must provide a certification that a VA and ERP are complete prior to bid authorization.

You will also be required to provide a certification that the VA and ERP is complete and is current every three years after the start of operations. RD does not need or want a copy of the VA or ERP. The requested certification will be sufficient to meet our needs. Technical assistance providers are available to provide you with on site assistance if desired.

14. **Civil Rights & Equal Opportunity** – You should be aware of and will be required to comply with other federal statute requirements including but not limited to:

Section 504 of the Rehabilitation Act of 1973 – Under section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), no handicapped individual in the United States shall, solely by reason of their handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving RD financial assistance.

Civil Rights Act of 1964 – All borrowers are subject to, and facilities must be operated in accordance with, title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.) and subpart E of part 1901 of this title, particularly as it relates to conducting and reporting of compliance reviews. Instruments of conveyance for loans and/or grants subject to the Act must contain the covenant required by paragraph 1901.202(e) of this title.

The Americans with Disabilities Act (ADA) of 1990 – This Act (42 U.S.C. 12101 et seq.) prohibits discrimination on the basis of disability in employment, State and local government services, public transportation, public accommodations, facilities, and telecommunications. Title II of the Act applies to facilities operated by State and local public entities which provides services, programs and activities. Title III of the Act applies to facilities owned, leased, or operated by private entities which accommodate the public.

Age Discrimination Act of 1975 – This Act (42 U.S.C. 6101 et seq.) provides that no person in the United States shall on the basis of age, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

RD financial programs must be extended without regard to race, color, religion, sex, national origin, marital status, age, or physical or mental handicap.

15. **Contract Documents, Final Plans and Specifications** –

a. The contract documents should consist of the following:

(1) EJCDC Document No. C-521, 2002 Edition, "Suggested Form of Agreement between Owner and Contractor on the Basis of Stipulated Price" and EJCDC Document No. C-710, 2002 Edition, "Standard General Conditions of the Construction Contract – Funding Agency Edition" and Attachments. The EJCDC document is issued under copyright and cannot be provided by RUS.

(2) "RUS Supplemental General Conditions."

RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Standard Documents on Water and Waste Projects with RUS Financial Assistance (September 10, 2003 Version)," must be used by your engineer in the preparation of the contract documents.

b. The contract documents must provide, as a minimum, the following insurance:

(1) Liability Insurance – Personal Liability - $500,000; Property Damage - $200,000 - $200,000. This coverage must include indemnification of the City and its engineer. EJCDC Document C-710, "Standard General Conditions of the Construction Contract" (Funding Agency Edition) and Exhibit G to RUS Bulletin 1780-26, "Supplementary Conditions" both suggest certain limits of liability for insurance coverage. Those limits should be considered as minimum requirements only. It is recommended you consider increasing the given limits of liability after analyzing your specific needs.

(2) Builder's Risk Insurance – On all structures and mechanical and electrical equipment in place or stored on the site to the full insurable value thereof.

(3) Workers' Compensation – In accordance with applicable State laws.

c. The contract documents and final plans and specifications must be submitted to RD for approval.

d. The project must be designed in compliance with Section 504 of the Rehabilitation Act of 1973.

16. **State Prevailing Wage Law** - You should ensure that all requirements of Article 5A of the West Virginia State Prevailing Wage Law, "Wages for Construction of Public Improvements" are met during construction of the project.

17. **Disbursement of Funds** – The RD funds will be advanced as they are needed In the amount(s) necessary to cover the RD proportionate share of any disbursements required of your City, over 30 day periods. Funds will be disbursed by electronic transfer of funds.

    Any RD grant funds not disbursed immediately upon receipt must be deposited in an interest bearing account except as follows:

    a. Federal grant awards (includes all federal funding sources) are less than $120,000 per year.

    b. The best available interest bearing account would not be expected to earn in excess of the following:

       Public Bodies
       Interest earned on grant funds in excess of $100 per year will be submitted to RD at least quarterly as required in 7 CFR 3016.

    c. The depository would require a minimum balance so high that it would not be feasible.

    The City will establish a separate fund, to be known and hereafter referred to as the Construction Account, with a lending institution insured by the Federal Deposit Corporation. The account shall be used solely for the purpose of paying the costs of the project as outlined in the construction budget. All funds in the account will be secured by a collateral pledge equaling at least 100% of the highest amount of funds expected to be deposited in the Construction Account. All deposits in excess of $250,000 will be secured by a collateral pledge in accordance with Treasury Circular Number 176.

    The City must assure that all project funds are expended only for the eligible items included in the final project budget or as may be later approved by RD.

18. At a properly called meeting, you must adopt and properly execute the following forms, and minutes showing the adoption must be provided:

    Form RD 1940-1 – "Request for Obligation of Funds"
    RUS Bulletin 1780-12 – "Water or Waste System Grant Agreement"

RUS Bulletin 1780-27 – "Loan Resolution (Public Bodies)"
Certification of Compliance
Form RD 1942-46, "Letter of Intent to Meet Conditions"

19. The enclosed Water and Waste Processing Checklist (Attachment No. 2) outlines the items needed to complete the loan and grant docket. All the items listed must be included in the loan and grant docket when it is forwarded to the USDA – Rural Development State Office with a request for loan closing instructions to be issued.

20. Upon receipt of the loan and grant docket, which contains all the items required above, RD may authorize you to advertise the project for construction bids. Such advertisement must be in accordance with appropriate State statutes. Immediately after bid opening you must provide RD with (a) a bid tabulation, (b) recommendations from you and your engineer as to the acceptability of the bids received, and (c) your recommendations for contract awards. If all parties then agree the construction bids received are acceptable, it is determined that adequate funds are available to cover the total facility costs, and that all the administrative conditions of loan approval have been satisfied, loan closing instructions will be issued. The closing instructions, a copy of which will be forwarded to you, will set forth any further requirements that must be met before the loan can be closed. When all parties agree that the closing requirements can be met, a mutually acceptable date for the loan closing will be scheduled.

Any applicant contribution shall be considered as the first funds expended. After providing for all authorized costs, any remaining RD project funds will be considered to be RD grant funds and refunded to RD. If the amount of unused RD project funds exceeds the RD grant, that part would be RD loan funds and would be applied as an extra payment toward the loan balance.

If the conditions set forth in this letter are not met within twelve (12) months from the date hereof, RD reserves the right to discontinue processing of the application. In the event the project has not advanced to the point of loan closing within the twelve-month period and it is determined the City still wishes to proceed, it will be necessary that the proposed budget be reviewed again in detail. If during that review, it is determined the budget is no longer current and/or adequate, RD reserves the right to require that it be revised or replaced.

We believe the information herein clearly sets forth the actions which must be taken; however, if you have any questions, please do not hesitate to contact me.

Sincerely yours,

BOBBY LEWIS
State Director

Enclosures

cc: Alan Harris, Area Director
ATTN: Virginia McDonald, Area Specialist
Ripley, WV

Boyles and Hildreth, Consulting Engineers
P.O. Box 614
Spencer, WV 25276

Thomas N. Whittier, Esquire
P.O Box 7
Spencer, WV 25276

John L. Ford
3847 Sleepy Hollow Drive
Hurricane, WV 25526

Attachment No. 1 to Letter of Conditions
For: City of Spencer
Date: December 21, 2009

Project Construction Budget

PROJECT COST	RUS GRANT	RUS LOAN	TOTAL
CONSTRUCTION	$ 943,200	$ 160,900	$ 1,104,100
CONST. CONTINGENCY	$ 49,900	$ 16,650	$ 66,550
LEGAL FEES	$ 1,000	$ 4,000	$ 5,000
BOND COUNSEL		$ 17,500	$ 17,500
ACCOUNTING		$ 4,500	$ 4,500
ENGINEERING FEES	$ 41,200	$ 164,800	$ 206,000
Basic - $			
Insp. - $			
Special - $			
INTEREST		$ 18,750	$ 18,750
EQUIPMENT	$ 50,000		$ 50,000
PROJECT CONTG.	$ 20,700	$ 6,900	$ 27,600
TOTAL	**$ 1,106,000**	**$ 394,000**	**$ 1,500,000**

Rates - Rates are reflected on the attached Use and Income Analysis for each tariff.

Delayed Payment Penalty

The above tariff is net. On all accounts not paid in full within twenty (20) days of date of bill, ten percent (10%) will be added to net amount shown.

If any bill is not paid within sixty (60) days after date, water service to the customer will be discontinued. Water service will not be restored until all past due water bills have been paid in full and all accrued penalties plus a reconnection charge have been paid.

Connection Charge

After the start of construction, there shall be a charge of $364.00 for connection to the system.

Reconnection Charge

$15.00

Use and Income Analysis - See Attached

Cash Flow Analysis - See Attached

CITY OF SPENCER
USE AND INCOME ANALYSIS
EXISTING SYSTEM - RATE I

Blocking	Cust.	Gal/ Mo.	Minimum Bills	First 2,000	Next 3,000	Next 25,000	Next 70,000	Over 100,000	TOTAL REVENUE
0 - 2,000	435	404.50	435						
2,001 - 5,000	373	1,217.50		746.00	471.50				
5,001 - 30,000	173	1,572.50		345.00	517.50	710.00			
30,001 - 100,000	16	842.00		32.00	48.00	400.00	362.00		
Over 100,000	5	2,083.00		10.00	15.00	25.00	350.00	1,683.00	
Monthly Total	1,002	6,119.50	435.00	1,133.00	1,052.00	1,135.00	712.00	1,683.00	
Proposed Rates			$ 10.82	$ 5.41	$ 5.22	$ 4.29	$ 1.74	$ 1.68	
Monthly Revenues			$ 4,706.70	$ 6,129.53	$ 5,491.44	$ 4,869.15	$ 1,238.88	$ 2,827.44	**$ 25,263.14**
Annual Revenues			$ 56,480.40	$ 73,554.36	$ 65,897.28	$ 58,429.80	$ 14,866.56	$ 33,929.28	**$ 303,157.68**

CITY OF SPENCER
USE AND INCOME ANALYSIS
EXISTING SYSTEM - RATE II

Blocking	Cust.	Gal/ Mo.	Minimum Bills	First 2,000	Next 3,000	Next 25,000	Next 70,000	Over 100,000	TOTAL REVENUE
0 - 2,000	227	268.00	227						
2,001 - 5,000	273	887.50		546.00	341.50				
5,001 - 30,000	109	901.00		218.00	327.00	356.00			
30,001 - 100,000	2	152.50		4.00	6.00	50.00	92.50		
Over 100,000	4	2,270.00		8.00	12.00	100.00	280.00	1,870.00	
Monthly Total	615	4,479.00	227.00	776.00	686.50	506.00	372.50	1,870.00	
Proposed Rates			$ 11.90	$ 5.95	$ 5.80	$ 4.73	$ 1.92	$ 1.72	
Monthly Revenues			$ 2,701.30	$ 4,617.20	$ 3,981.70	$ 2,393.38	$ 715.20	$ 3,216.40	**$ 17,625.18**
Annual Revenues			$ 32,415.60	$ 55,406.40	$ 47,780.40	$ 28,720.56	$ 8,582.40	$ 38,596.80	**$ 211,502.16**

CITY OF SPENCER
USE AND INCOME ANALYSIS
EXISTING SYSTEM - RATE III

Blocking	Cust.	Gal/ Mo.	Minimum Bills	First 2,000	Next 3,000	Next 25,000	Next 70,000	Over 100,000	TOTAL REVENUE
0 - 2,000	88	88.00	88						
2,001 - 5,000	103	341.00		206.00	135.00				
5,001 - 30,000	32	261.00		64.00	96.00	101.00			
30,001 - 100,000	3	168.00		6.00	9.00	75.00	78.00		
Over 100,000	1	171.00		2.00	3.00	25.00	141.00		
Monthly Total	227	1,029.00	88.00	278.00	243.00	201.00	219.00	0.00	
Proposed Rates			$ 21.86	$ 10.93	$ 10.31	$ 9.97	$ 3.48	$ 3.14	
Monthly Revenues			$ 1,923.68	$ 3,038.54	$ 2,505.33	$ 2,003.97	$ 762.12	$ -	**$ 10,233.64**
Annual Revenues			$ 23,084.16	$ 36,462.48	$ 30,063.96	$ 24,047.64	$ 9,145.44	$ -	**$ 122,803.68**

CITY OF SPENCER
USE AND INCOME ANALYSIS
EXISTING SYSTEM - RATE IV

Blocking	Cust.	Gal/ Mo.	Minimum Bills	First 2,000	Next 3,000	Next 25,000	Next 70,000	Over 100,000	TOTAL REVENUE
0 - 2,000	73	67.50	73						
2,001 - 5,000	73	233.00		145.00	88.00				
5,001 - 30,000	26	205.00		52.00	78.00	75.00			
30,001 - 100,000	2	67.50		3.00	4.50	60.00			
Over 100,000	0	0.00							
Monthly Total	173	573.00	72.50	200.00	170.50	135.00	0.00	0.00	
Proposed Rates			$ 24.06	$ 12.03	$ 11.73	$ 10.68	$ 3.89	$ 3.45	
Monthly Revenues			$ 1,744.35	$ 2,406.00	$ 1,999.97	$ 1,441.80	$ -	$ -	**$ 7,592.12**
Annual Revenues			$ 20,932.20	$ 28,872.00	$ 23,999.58	$ 17,301.60	$ -	$ -	**$ 91,105.38**

CITY OF SPENCER
USE AND INCOME ANALYSIS
ROUTE 33 EAST EXTENSION - RATE IV

Blocking	Cust.	Gal/ Mo.	Minimum Bills	First 2,000	Next 3,000	Next 25,000	Next 70,000	Over 100,000	TOTAL REVENUE
0 - 2,000									
2,001 - 5,000	107	428.00		214.00	214.00				
5,001 - 30,000									
30,001 - 100,000									
Over 100,000									
Monthly Total	107	428.00	0.00	214.00	214.00	0.00	0.00	0.00	
Proposed Rates			$ 24.06	$ 12.03	$ 11.73	$ 10.68	$ 3.89	$ 3.45	
Monthly Revenues			$ -	$ 2,574.42	$ 2,510.22	$ -	$ -	$ -	**$ 5,084.64**
Annual Revenues			$ -	$ 30,893.04	$ 30,122.64	$ -	$ -	$ -	**$ 61,015.68**

CITY OF SPENCER
USE AND INCOME ANALYSIS
SALE FOR RESALE

	Customer	Gal/ Mo.	First 2,000	Next 3,000	Next 25,000	Next 70,000	Over 100,000	TOTAL REVENUE
Clover PSD - Rate I	1	979.5	2	3	25	70	879.5	
Monthly Total	1	979.5	2	3	25	70	879.5	
Proposed Rates			$5.41	$5.22	$4.29	$1.74	$1.68	
Monthly Revenues			$9.66	$13.98	$95.75	$108.50	$1,231.30	$1,459
Annual Revenues			$115.92	$167.76	$1,149.00	$1,302.00	$14,775.60	**$17,510.28**

	Customer	Gal/ Mo.	First 2,000	Next 3,000	Next 25,000	Next 70,000	Over 100,000	TOTAL REVENUE
Town of Reedy - Rate II	1	723	2	3	25	70	623	
Monthly Total	1	723	2	3	25	70	623	
Proposed Rates			$5.95	$5.80	$4.73	$1.92	$1.72	
Monthly Revenues			$10.62	$15.54	$105.50	$119.70	$959.42	$1,210.78
Annual Revenues			$127.44	$186.48	$1,266.00	$1,436.40	$11,513.04	**$14,529.36**

Total Annual Revenue	**$32,040**
Correction Factor	1.381898
Adjusted Annual Revenue	**$44,276**

Summary of Metered Annual Revenues

Rate I	$303,157.68
Rate II	$211,502.16
Rate III	$122,803.68
Rate IV	$91,105.38
Route 33 Ext.	$61,015.68
Total	**$774,017.22**
Correction Factor	1.034287
Annual Revenue	**$800,556**

CITY OF SPENCER
OPERATING BUDGET

OPERATING INCOME			
Metered Sales	$800,556		
Penalties	$ 14,264		
Misc. Service Revenues	$ 365		
Sale for Resale	$ 44,276		
Private Fire Protection Service	$ 1,836		
TOTAL OPERATING INCOME		$ 861,297	
NON OPERATING INCOME			
Misc.	$ 22,311		
Interest income	$ 5,377		
TOTAL NON OPERATING INCOME		$ 27,688	
TOTAL INCOME		$ 888,985	
EXPENSES			
O & M	$608,386		
Taxes	$ 20,231		
TOTAL EXPENSES		$ 628,617	
INCOME AVAILABLE FOR D/S (A)		$ 260,368	
DEBT SERVICE			
Existing Bond P & I (B)	$201,012	(includes unclosed WTP project)	
Proposed Bond P & I (B)	$ 16,080		
TOTAL DEBT SERVICE		$ 217,092	
DEBT SERVICE RESERVE			
Existing Debt Service Reserve	$ 20,102		
Proposed Bond Debt Service Reserve	$ 1,608		
TOTAL DEBT SERVICE RESERVE		$ 21,710	
SURPLUS (DEFICIT)		$ 21,566	
DEBT COVERAGE (A/B)		120%	

Attachment No. 2 to Letter of Conditions
For: City of Spencer
Date: December 21, 2009

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE
Water and Waste Processing Checklist

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
SF 424.2	Application for Federal Assistance	3	1780.31(b)	Applicant		Have	3
	DUNS Number	1		Applicant		Have	3
	CAIVRS Number	1		RUS			CPAP Form
	Public Notice of Intent to File App./ Env. Notice	3	1780.19(a) 1794	Applicant			3
Bulletin 1780-22	Applicant Eligibility Certification/ Other Credit Certification	1	1780.33(d)	Applicant		Have	3
	Audit for last year of operation	1	1780.33(e)	Applicant/ Accountant		Have	1
	Staff Review Financial Statements	1	S.I. 1780.2	RUS		Have	1
EJCDC No. E-510-FA	Agreement between Owner & Engineer	3	1780.39(b)	Applicant/ Engineer			6
RUS Legal Services Agreement	Legal Services Agreement with Local Attorney	3	1780.39 (b)(2)	Applicant/ Attorney		Have	5
	Processing Conference	1	1780.39(a)	RUS		Have	3
	Site Visit		S.I. 1780-2	RUS		Have	3

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
	Environmental Report	2	1794	Applicant		Have	3
Bulletins 1780-2 1780-3	Preliminary Engineering Report	2	1780.33(c)	Engineer		Have	6
	Staff Engineer PER Review	1	1780.33(c)	RUS			3
	Bill Analysis for existing system(s)	2	1780.33(c)	Applicant/ Engineer		Have	8
	Statement reporting the total number of potential users		1780.33(c)	Applicant/ Engineer		Have	8
	Rate Tariff	2	1780.33	Applicant		Have	8
	Documentation on Service Area	1	1780.11	RUS		Have	3
	Letter of Conditions	7	1780.41 (a)(5)	RUS			3
AD 1049	Certification Regarding Drug-Free Workplace	1	1780.33(h)	Applicant		Have	5
	Applicant's IRS Tax Number(TIN)	1	1780.33(g)	Applicant		Have	3
	Agency Determination on the Availability of "Other Credit" with Documentation	1	1780.7(d)	RUS		Have	3
Bulletin 1780-1	Project Selection Criteria	2	1780.17	RUS			1
	Minutes Adopting Drug-Free Workplace Program	1	LOC	Applicant			5

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
Exhibit A / A-1	Certifications Regarding Lobbying	2	1780.33(h)	Applicant		Have	2
CPAP Form	Project Information	2	1780.41(a)	RUS		Have	1
CPAP Form	Underwriting Information	2	1780.33(h)	RUS		Have	3
RD 1940-1	Request for Obligation of Funds	2	1780.41(a)	RUS/ Applicant			2
RD 1942-46	Letter of Intent to Meet Conditions	2	1780.41 (a)(6)	Applicant			3
RD 1910-11	Applicant Certification, Federal Collect-ion Policies	1	1780.33(h)	Applicant		Have	3
	Relationships/ Associations with Agency Employees	1	1780.1(f)	RUS			3
AD 1047	Certification Regarding Debarment (Primary)	1	1780.33(h)	Applicant		Have	5
Bulletin 1780-27	Loan Resolution	1	1780.45 (a)(2)	Applicant			5
RD 400-1	Equal Opportunity Agreement	1	1901-E	Applicant		Have	6
RD 400-4	Assurance Agreement	1	1901-E	Applicant		Have	3
Bulletin 1780-12	Association Water or Sewer System Grant Agreement	2	1780.45(c)	RUS/ Applicant			2
	Legal Services Agreement with Bond Counsel	1	1780.39 (b)(3)	Applicant/ Bond Counsel			5

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
	Agreement for Accounting Services	1	1780.39 (b)(2)	Applicant/ Accountant		Have	5
	RD Review of Accounting Records	1	S.I. 1780-4 (1)(ii)	RUS			3
	Accountant's Certification	1	LOC	Applicant/ Accountant			3
	Certification Relative to Existing Users	1	LOC	Applicant			5
	Verification of Users	1	1780.44(b)	RUS			3
	Copy of PSC Rule 42 Exhibit	1	State	Attorney/ Accountant			3
	DOH Permit	1	1780.15(d)	Applicant			6
	Public Land Corp. Permit	1	1780.15(d)	Applicant			6
	Corps of Engineers Permit	1	1780.15(d)	Applicant			6
	Dept. of Health Approval	1	1780.15(d)	Engineer			6
	Dept. of Environmental Protection Permit	1	1780.15(d)	Engineer			6
	Contract Documents, Plans & Specifications	2	1780.61(a)	Engineer			Separate File
	Agency Determination on Procurement	1	1780.70(d)	RUS			6

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
	Preliminary Bond Transcript Documents w/o Defeasance Provisions	2	1780.83	Bond Counsel			5
	Right-of-Way Map	1	1780.44(g)	Engineer			Separate File
	Deeds and/or Options		1780.44.(g)	Applicant/ Attorney			5
RD 1927-9	Preliminary Title Opinion	1	1780.44 (g)(2)	Applicant/ Attorney			5
	Narrative Opinion from Attorney	1	1780.44(g)	Attorney			5
RD 442-22	Opinion of Counsel Relative to R/Ways		1780.44 (g)(1)	Attorney			5
	Review of Outstanding Judgment	1	1780.7(g)	RUS/ Attorney			3
SF 3881	Electronic Funds Transfer Payment Enrollment Form	1	31 CFR 208	Applicant/ Financial Institution			2
	Documenta-tion Relative to Health or Sanitary Hazards	1	1780.1 (c)(1) 1780.13 (b)(1)	RUS/State Health Department			2
	PSC Approval	1	1780.15(b)	Applicant/ Attorney			6
	Bid Tabulation	1	1780.61(b)	Engineer			6
	OGC Closing Instructions	1	1780.44(h)	RUS			5
	S/O Closing Instructions	1	1780.44(h)	RUS			5

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
RD 1927-10	Final Title Opinion	1	1780.44 (g)(2)	Applicant/ Attorney			5
	Bond Transcript Documents w/o Defeasance Provisions	3	1780.83	Bond Counsel			Separate File
RD 400-8	Compliance Review	1	1780.44(c)	RUS			5
	Liability Insurance	1	1780.39(g)	Applicant			7
	Workers' Compensation Certificate	1	1780.39(g)	Applicant			7
440-24	Fidelity Bond	1	1780.39(g)	Applicant			7
1924-16	Record of Pre-Construction Conference	1	1780.76(a)	RUS/ Engineer			6
AD 1048	Certification Regarding Debarment (Contractor)	1 each	1780.33(h)	All Appropriate Vendors			5
	OGC Final Opinion	1	1780.45(g)	RUS			5

8

P.S.C. W. Va. No. 8
Canceling P.S.C. W. Va. No. 7

CITY OF SPENCER, a municipal utility

OF

SPENCER, WEST VIRGINIA

RATES, RULES AND REGULATIONS FOR FURNISHING

WATER

In and near Spencer to the City of Spencer, Roane County, WV

Filed with THE PUBLIC SERVICE COMMISSION
of
WEST VIRGINIA

RECEIVED
09 NOV 31 AM 9:05
W VA PUBLIC SERVICE COMMISSION
SECRETARY'S OFFICE

Issued November 13, 2009 Effective for service rendered on or after October 18, 2009 or as otherwise provided herein

Passed by City Council

Issued by City of Spencer, a municipal utility

By _____

Mayor
Title

RULES AND REGULATIONS

I. Rules and Regulations for the Government of Water Utilities, adopted by the Public Service Commission of West Virginia, and now in effect, and all amendments thereto and modifications thereof hereafter made by said Commission.

RATE 1 (LOW LEVEL)

APPLICABILITY

Applicable through entire service territory, except such territories as served through booster stations.

(C) AVAILABILITY OF SERVICE

Available for general domestic, commercial and industrial water service within the territory served.

(I) RATE

First	2,000 gallons used per month	$5.41 per 1,000 gallons
Next	3,000 gallons used per month	$5.22 per 1,000 gallons
Next	25,000 gallons used per month	$4.29 per 1,000 gallons
Next	70,000 gallons used per month	$1.74 per 1,000 gallons
All Over	100,000 gallons used per month	$1.68 per 1,000 gallons

(I) MINIMUM CHARGE

No bill will be rendered for less than the following amounts, according to the size of the meter installed. To wit:

5/8 inch meter or less	$ 10.82 per month
3/4 inch meter	$ 16.23 per month
1 inch meter	$ 65.32 per month
1 - 1/4 inch meter	$ 39.49 per month
1 - 1/2 inch meter	$ 54.10 per month
2 inch meter	$ 86.55 per month
3 inch meter	$ 162.29 per month
4 inch meter	$ 270.48 per month
6 inch meter	$ 540.96 per month
8 inch meter	$ 865.54 per month

(C) Indicates change in text
(I) Indicates increase

RATE 1 (LOW LEVEL) Continued

DELAYED PAYMENT CHARGE

The above tariff is net. On all current usage billings not paid in full within twenty (20) days, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate. No bill shall be considered delinquent any sooner than thirty (30) days from the billing date.

(C) SERVICE CONNECTION FEE (TAP FEE)

There shall be a service connection (tap fee) of Three hundred sixty-four dollars ($364.00).

(C) RECONNECTION CHARGE

A reconnection charge of fifteen dollars ($15.00) shall be made to restore discontinued service.

(C) Indicates change in text

RATE II (BOOSTER LEVEL)

(C) APPLICABILITY

Applicable to territory served by Spencer Plant through Booster Stations.

(C) AVAILABILITY OF SERVICE

Available for general domestic, commercial and industrial service.

(I) RATE

First	2,000 gallons used per month	$ 5.95 per 1,000 gallons
Next	3,000 gallons used per month	$ 5.80 per 1,000 gallons
Next	25,000 gallons used per month	$ 4.73 per 1,000 gallons
Next	70,000 gallons used per month	$ 1.92 per 1,000 gallons
All Over	100,000 gallons used per month	$ 1.72 per 1,000 gallons

(I) MINIMUM CHARGE

No bill will be rendered for less than the following amounts, according to the size of the meter installed. To wit:

5/8 inch meter or less	$ 11.90 per month
3/4 inch meter	$ 17.84 per month
1 inch meter	$ 29.74 per month
1-1/4 inch meter	$ 43.41 per month
1-1/2 inch meter	$ 59.47 per month
2 inch meter	$ 95.16 per month
3 inch meter	$178.42 per month
4 inch meter	$297.36 per month
6 inch meter	$594.72 per month
8 inch meter	$951.55 per month

(C) Indicates change in text
(I) Indicates increase

RATE II (BOOSTER LEVEL) Continued

DELAYED PAYMENT CHARGE

The above tariff is net. On all current usage billings not paid in full within twenty (20) days, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate. No bill shall be considered delinquent any sooner than thirty (30) days from the billing date.

SERVICE CONNECTION FEE (TAP FEE)

There shall be a service connection (tap fee) of Three hundred sixty-four dollars ($364.00)

RECONNECTION CHARGE

A reconnection charge of fifteen dollars ($15.00) shall be made to restore discontinued service.

RATE III (RIPLEY ROAD LOW LEVEL AND ROUE 119)

APPLICABILITY

Applicable throughout US Route 33 West, Steel Hollow Road, Nancy's Run Road and US Route 119 South, Speed Road and Missouri Fork Road, except ones served through Booster Stations.

(C,I) AVAILABILITY OF SERVICE

Available for general domestic, commercial and industrial services.

(I) RATE

First	2,000 gallons used per month	$10.93 per 1,000 gallons
Next	3,000 gallons used per month	$10.31 per 1,000 gallons
Next	25,000 gallons used per month	$ 9.97 per 1,000 gallons
Next	70,000 gallons used per month	$ 3.48 per 1,000 gallons
All Over	100,000 gallons used per month	$ 3.14 per 1,000 gallons

(I) MINIMUM CHARGE

No bill will be rendered for less than the following amounts, according to the size of the meter installed. To wit:

5/8 inch meter or less		$ 21.86 per month
3/4 inch meter		$ 32.79 per month
1	inch meter	$ 54.66 per month
2	inch meter	$174.90 per month
3	inch meter	$327.94 per month

DELAYED PAYMENT CHARGE

The above tariff is net. On all current usage billings not paid in full within twenty (20) days, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate. No bill shall be considered delinquent any sooner than thirty (30) days from the billing date.

(C) Indicates change in text
(I) Indicates increase

RATE III (RIPLEY ROAD LOW LEVEL AND ROUE 119) Continued

(C) SERVICE CONNECTION FEE (TAP FEE)

There shall be a service connection (tap fee) of Three hundred sixty-four dollars ($364.00).

(C) RECONNECTION CHARGE

A reconnection charge of fifteen dollars ($15.00) shall be made to restore disconnected service.

(C) Indicates change in text

RATE IV (RIPLEY ROAD PROJECT BOOSTER LEVEL)

(C) APPLICABILITY

Applicable throughout US Route 33 West, Steel Hollow Road, and Colt Ridge Road served by Spencer Plant through Booster Stations.

(C) AVAILABILITY OF SERVICE

Available for general domestic, commercial and industrial service.

(I) RATE

First	2,000 gallons used per month	$ 12.03 per 1,000 gallons
Next	3,000 gallons used per month	$ 11.73 per 1,000 gallons
Next	25,000 gallons used per month	$ 10.68 per 1,000 gallons
Next	70,000 gallons used per month	$ 3.89 per 1,000 gallons
All Over	100,000 gallons used per month	$ 3.45 per 1,000 gallons

(I) MINIMUM CHARGE

No bill will be rendered for less than the following amounts, according to the size of the meter installed. To wit:

	5/8 inch meter or less	$ 24.06 per month
	3/4 inch meter	$ 36.09 per month
1	inch meter	$ 60.14 per month
2	inch meter	$193.46 per month
3	inch meter	$360.86 per month

DELAYED PAYMENT CHARGE

The above tariff is net. On all current usage billings not paid in full within twenty (20) days, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate. No bill shall be considered delinquent any sooner than thirty (30) days from the billing date.

(C) Indicates change in text
(I) Indicates increase

RATE IV (RIPLEY ROAD PROJECT BOOSTER LEVEL) (Continued)

(C) SERVICE CONNECTION FEE (TAP FEE)

There shall be a service connection (tap fee) of Three hundred sixty-four dollars ($364.00).

(C) RECONNECTION CHARGE

A reconnection charge of fifteen dollars ($15.00) shall be made to restore disconnected service.

(C) Indicates change in text

PRIVATE FIRE PROTECTION SERVICE

(C) APPLICABILITY

Applicable in entire served by the Spencer Plant.

(C) AVAILABILITY OF SERVICE

(I) RATE

Where connections, hydrants, sprinklers, etc. on private property are maintained by consumer:

2 inch Service Line with hydrants, sprinklers and/or hose connections	$ 3.91 per month
3 inch Service Line with hydrants, sprinklers and/or hose connections	$ 4.70 per month
4 inch Service Line with hydrants, sprinklers and/or hose connections	$ 6.27 per month
6 inch Service Line with hydrants, sprinklers and/or hose connections	$ 14.10 per month
8 inch Service Line with hydrants, sprinklers and/or hose connections	$ 25.05 per month
10 inch Service Line with hydrants, sprinklers and/or hose connections	$ 39.13 per month
12 inch Service Line with hydrants, sprinklers and/or hose connections	$ 56.36 per month

Where connections and hydrants on private property are maintained by City:

Each fire hydrant	$16.31 per month

These terms are payable monthly in advance.

(C) Indicates change in text

(I) Indicates increase

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$394,000
CITY OF SPENCER
WATER REVENUE BOND, SERIES 2012

GENERAL CERTIFICATE

1. TERMS
2. AWARD OF BOND
3. NO LITIGATION
4. GOVERNMENTAL APPROVALS AND BIDDING
5. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
6. SIGNATURES
7. CERTIFICATION OF COPIES OF DOCUMENTS
8. PUBLIC SERVICE COMMISSION ORDER; RATES
9. INCUMBENCY AND OFFICIAL NAME
10. DELIVERY AND PAYMENT
11. LAND AND RIGHTS OF WAY
12. MEETINGS
13. CONTRACTORS' INSURANCE
14. CONNECTIONS
15. MANAGEMENT
16. RATES AND CHARGES
17. CONFLICT OF INTEREST
18. COMPLIANCE WITH 1974, 1991, 1993, 1998, 2009 AND 2010 ORDINANCES AND BONDS
19. BOND PROCEEDS

We, the undersigned MAYOR and the undersigned RECORDER of the CITY OF SPENCER, Roane County, West Virginia (the "Issuer"), and the undersigned ATTORNEY for the Issuer, hereby certify in connection with the City of Spencer, Water Revenue Bond, Series 2012, No. R-l, in the principal amount of $394,000, bearing interest at the rate of 2.125% per annum, and dated on the date hereof (the "Bond"):

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined herein shall have the same meaning as in the Ordinance adopted by the City Council of the Issuer (the "Council") on first and second readings and enacted and effective after a public hearing held on September 6, 2012 (the "Ordinance").

2. AWARD OF BOND: The entire issue of the Bond has been duly awarded to the Rural Utilities Service (the "Purchaser"), pursuant to a Letter of Conditions from the Purchaser, as amended, and the Bond Ordinance.

3. NO LITIGATION: No controversy or litigation of any nature is now pending, or, to the knowledge of any of the undersigned, threatened restraining, enjoining or affecting the issuance and delivery of the Bond, nor questioning the proceedings and authority by which the Issuer authorized the issuance and sale of the Bond, nor affecting the validity of the Bond or any provisions made or authorized for the payment thereof; nor questioning the existence of the Issuer or the Council or the title of the members and officers thereof to their respective offices; nor questioning the additions, betterments and improvements to the water system of the Issuer (the

"System") being financed out of the proceeds of sale of the Bond.

4. GOVERNMENTAL APPROVALS: All applicable approvals and certificates required by law for construction and operation of the System have been duly and timely obtained and remain in full force and effect. This includes a Certificate of Convenience and Necessity from the West Virginia Public Service Commission ("PSC") awarded pursuant to Case No. 12-0221-W-CN.

5. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the Issuer since the approval by the Purchaser of a loan to assist in the additions, betterments and improvements to the System.

The Issuer has outstanding its (a) Waterworks System Bond, Series 1974, (b) Water Revenue Bonds, Series 1991, (c) Water Revenue Bond, Series 1993, (d) Water Revenue Bond, Series 1998, (e) Water Revenue Bond, Series 2009, and (f) Water Revenue Bond, Series 2010, all of which are payable from and entitled to liens on the revenues of the System, all on a parity with the liens and pledges in favor of the Bond.

6. SIGNATURES: The undersigned MAYOR and RECORDER did, for the Issuer on the date hereof, officially execute and seal the Bond with the official corporate seal of the Issuer, an impression of which seal is on this certificate above our signatures and said officers are the duly elected, qualified and serving officers as indicated by the official titles opposite their signatures below, and are duly authorized to execute and seal the Bond for the Issuer.

7. CERTIFICATION OF COPIES OF DOCUMENTS: The copies of the below listed documents hereto attached or delivered herewith or heretofore delivered are true, correct and complete copies of the originals of the documents of which they purport to be copies, and such original documents are in full force and effect and have not been repealed, rescinded, amended or changed in any way unless modification appears from later documents also listed below:

Charter of Issuer.
Ordinance.
Notice of Public Hearing on Ordinance.
Minutes of Adoption of Ordinance on First and Second Reading.
Minutes on Enactment of Ordinance After Public Hearing.
Sunshine Act Resolution of Council.
Oaths of Office of Mayor, Recorder and Members of Council
Rate Ordinance
Public Service Commission Certificate of Convenience and Necessity

8. PUBLIC SERVICE COMMISSION ORDER; RATES: The undersigned Attorney hereby covenants that he has filed any information with the PSC and taken any other actions required to maintain the PSC Order dated July 5, 2012, which became Final on July 25, 2012, in full force and effect. The rates were enacted by ordinance adopted November 13, 2009, and the City has complied with all requirements of the PSC to make the rates valid and effective,

and such rates are in full force and effect.

9. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Issuer is "City of Spencer", and it is a municipal corporation of the State of West Virginia located in Roane County, West Virginia. The governing body of the Issuer is the Mayor, its Council consisting of five (5) Council Members and the Recorder whose names, terms and offices are as follows:

Name	Term	Office
Terry A. Williams	June 30, 2013	Mayor
David Holland	June 30, 2013	Recorder and Council Member
Cecil Banks	June 30, 2013	Council Member
Toby Ford	June 30, 2013	Council Member
Aaron Richardson	June 30, 2013	Council Member
Robin Stump	June 30, 2013	Council Member

The duly appointed and acting Attorney for the Issuer is Thomas N. Whittier.

10. DELIVERY AND PAYMENT: On the date hereof, the Bond was delivered to the Purchaser at Spencer, West Virginia, by the undersigned Mayor, and at the time of such delivery, the Bond had been duly and fully executed and sealed on behalf of the Issuer in accordance with the above-mentioned Bond Ordinance.

At the time of delivery of the Bond, a payment was received by the undersigned Mayor, being a portion of the principal amount of the Series 2012 Bond, with additional portions of said principal amount to be paid to the Issuer as construction on the project progresses. Interest on advances upon the Series 2012 Bond at the rate of 2.125% per annum is payable upon each advance from the date hereof. The Bond Proceeds have been deposited in accordance with the terms of the Bond Ordinance.

The Series 2012 Bond is dated on the date hereof and interest thereon on the Series 2012 Bond at the rate of 2.125% per annum is payable on the Bond from such date.

11. LAND AND RIGHTS OF WAY: All land in fee simple and all rights of way and easements necessary for the construction, operation and maintenance of the System have been acquired or can and will be acquired by purchase, or if necessary, by condemnation by the Issuer and are adequate for such purposes and are not or will not be subject to any liens, encumbrances, reservations or exceptions which would adversely affect or interfere in any way with the use thereof for such purposes. The costs thereof, including costs of any properties which may have to be acquired by condemnation are, in the opinion of all the undersigned, within the ability of

the Issuer to pay for the same without jeopardizing the security of or payments on the Bond.

12. MEETINGS: All actions, ordinances, supplemental resolutions, orders and agreements taken by and entered into by or on behalf of the Issuer in any way connected with the construction, acquisition, operation and financing of the System were authorized or adopted at meetings of the Council of the Issuer duly and regularly called and held pursuant to all applicable statutes and the customary procedures of Council, and a quorum of duly elected or appointed, qualified and acting members of the Council was present and acting at all times during all such meetings.

13. CONTRACTORS' INSURANCE: All contractors will be required to maintain Workers' Compensation, public liability and property damage insurance, and builder's risk insurance where applicable, in accordance with the Letter of Conditions of the Purchaser and the Bond Ordinance.

14. CONNECTIONS: The Issuer has heretofore delivered evidence to the Purchaser that at least 2,125 bona fide users will be served by the System when the Project has been completed and is placed in operation.

15. MANAGEMENT: The Issuer has heretofore delivered to the Purchaser a plan concerning operation and management of the System, which plan was found to be acceptable by the Purchaser.

16. RATES AND CHARGES: Based upon information submitted by the Consulting Engineers, the rates and charges for the System which were approved on November 13, 2009, to be effective upon the completion of the Project, will, so long as the Bond is outstanding, provide Net Revenues sufficient to pay (a) the interest upon the Bond, (b) the principal amount of the Bond at or before its maturity and (c) a margin of safety or reserve for such Bond and for the payment into the Reserve Account created on account of the Bond.

17. CONFLICT OF INTEREST: No officer or employee of the Issuer has a substantial financial interest, direct, indirect or by reason of ownership of stock in any corporation, in any contract with the Issuer or with respect to a sale or lease of any land, materials, supplies or services to the Issuer, or to any contractor supplying the Issuer, relating to the Bond, the authorizing document and/or the Project, including without limitation, with respect to the Depository Bank. For purposes of this paragraph, a "substantial financial interest" shall include, without limitation, an interest amounting to more than 5% of the particular business enterprise or contract.

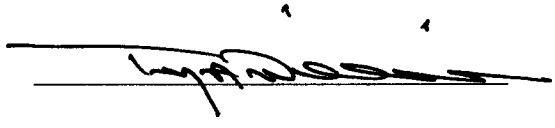
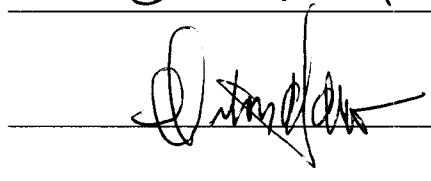
18. COMPLIANCE WITH 1974, 1991, 1993, 1998, 2009 AND 2010 ORDINANCES AND BONDS: All payments have been made under the 1974, 1991, 1993, 1998, 2009 and 2010 Ordinances, and there are no defaults in the terms and conditions of the 1974, 1991, 1993, 1998, 2009 and 2010 Ordinances or Bonds.

19. BOND PROCEEDS: On the date hereof, the Issuer received $130,739.06 from the Purchaser, being a portion of the principal amount of the Bond and more than a de minimis amount of the proceeds of the Bond. The balance of the principal amount of the Bond

will be advanced to the Issuer as acquisition, construction and equipping of the Project progresses.

WITNESS our signatures and the official corporate seal of the CITY OF SPENCER on this 13th day of September, 2012.

(SEAL)

SIGNATURE	OFFICIAL TITLE
	Mayor
	Recorder
	Attorney for Issuer

$394,000
CITY OF SPENCER
WATER REVENUE BOND, SERIES 2012

CERTIFICATE OF CONSULTING ENGINEER

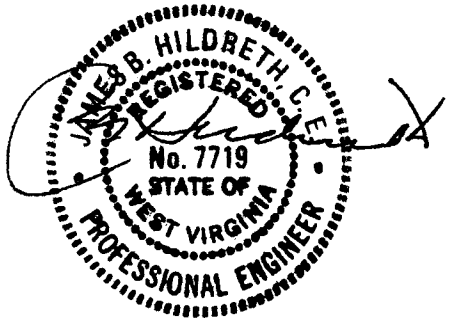
I, James B. Hildreth, Registered Professional Engineer, of Boyles and Hildreth, Spencer, West Virginia, West Virginia License No. 7719, hereby certify that I am the engineer for the acquisition, construction and equipping of certain additions, betterments and improvements to the water system (herein called the "Project") of the City of Spencer (the "Issuer"), located in Roane County, West Virginia, which acquisition, construction and equipping cost is being financed, in part, by the above-captioned bond (the "Bond") of the Issuer. Capitalized terms used and not otherwise defined herein shall have the meaning assigned to such terms in the Ordinance enacted by the City Council of the Issuer and effective on September 6, 2012 (the "Ordinance").

1. The Bond is being issued for the purpose of financing a portion of the costs of the Project.

2. The undersigned hereby certifies that to the best of his knowledge after due inquiry (i) the Project will consist of the acquisition, construction and equipping of water system improvements based upon approved plans, specifications and designs which will be prepared by my firm and which have been or will be approved by all necessary governmental bodies, (ii) the Project, as designed, is adequate for its intended purpose and has a useful life of at least forty (40) years, if properly constructed, operated and maintained, excepting anticipated replacements due to normal wear and tear, (iii) the Issuer has received bids for the construction of the Project which are in an amount and otherwise compatible with the plan of financing, and my firm has ascertained that all contractors have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified by my firm for accuracy, (iv) the chosen bidder received any and all addenda to the original bid documents, (v) the bid documents reflect the Project as approved by all required governmental agencies; (vi) the chosen bid includes every construction item necessary to complete the Project, or explains any deviation thereof, (vii) the uniform bid procedures were followed, (viii) the Issuer has obtained or will obtain all permits required by the laws of the State and the federal government necessary for the construction of the Project, (ix) the net proceeds of the Bond, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants irrevocably committed therefor, are or will be sufficient, in normal instances, to pay the costs of acquisition, construction and equipping of the Project, and (x) attached hereto as Exhibit A is the final amended "Schedule A - Total Cost of Project and Sources of Funds" for the Project.

WITNESS my signature as of the 13th day of September, 2012.

[SEAL]



9-6-2012

BOYLES AND HILDRETH, Consulting Engineers

By: _____
West Virginia License No. 7719

EXHIBIT A

Schedule A - Total Cost of Project and Source of Funds

TOTAL COST OF PROJECT

Contract No. 1 – Mountain Haus Properties, Inc.		$ 999,120
Contract No. 2 – W. Q. Watters, Inc.		70,070
Construction Contingencies		66,550
Engineering (basic services)		101,000
Engineering (special services)		15,000
Inspection		90,000
Land and Right-of-way		-
Capitalized Interest		50,000
Legal		5,000
Bond Counsel		18,000
Accounting		4,500
Equipment		50,000
	Subtotal	$1,469,240
	Contingencies	30,760
TOTAL ESTIMATED PROJECT COST		$1,500,000
AVAILABLE FUNDS		$1,500,000

SOURCE OF FUNDS

Rural Utilities Service loan in the amount of $394,000 at 2.125% for a term not to exceed 40 years and an RUS grant in the amount of $1,106,000.

Teed & Associates, PLLC

Certified Public Accountants

Established 1992
Member. American Institute of Certified Public Accountants
Member. West Virginia Society of Certified Public Accountants
Member. Tennessee Society of Certified Public Accountants

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maddy@teedandassociates.com
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$394,000
CITY OF SPENCER
WATER REVENUE BOND, SERIES 2012

CERTIFIED PUBLIC ACCOUNTANT'S CERTIFICATE

I, Roy A. Smith, a Certified Public Accountant, License No. WV000860, Charleston, West Virginia, have reviewed the water service rates set forth in the rate ordinance enacted by the City of Spencer (the "City") on November 13, 2009. It is my opinion that the schedule of rates set forth therein are adequate (i) to pay all operating expenses of the System, as defined in the Bond Ordinance, hereinafter described, and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of the principal of and interest on the Series 2012 Bond and the Prior Bonds, as set forth in the Bond Ordinance enacted by the City Council of the City and effective on September 6, 2012 (the "Bond Ordinance").

It is further my opinion that the Net Revenues for the fiscal year following the year in which the Series 2012 Bond is to be issued will be at least 115% of the average annual debt service requirements on the Prior Bonds and the Series 2012 Bond.

It is further my opinion that the Net Revenues actually derived from the System during any 12 consecutive months within the 18 months immediately preceding the date of the actual issuance of the Series 2012 Bond, 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 the Series 2012 Bond, will not be less than 115% of the maximum annual amount which will mature and become due in any succeeding year for principal of and interest on the Prior Bonds and the Series 2012 Bond.

WITNESS my signature as of the 13th day of September, 2012.

Roy A. Smith, Certified Public Accountant
License No. WV000860

$394,000
CITY OF SPENCER
WATER REVENUE BOND, SERIES 2012

CERTIFICATE OF RECORDER AS TO TRUTH
AND ACCURACY OF DOCUMENTS DELIVERED

I, David Holland, the duly appointed Recorder of the City of Spencer (the "Issuer"), hereby certify that the copies of the following documents being delivered in connection with the closing of the sale of the $394,000 City of Spencer, Water Revenue Bond, Series 2012 (the "Bond"), are, as of the date hereof, true and accurate copies of the originals of those documents maintained on file with the Issuer and delivered in the transcript of proceedings, and that said documents are still in full force and effect as of the date hereof and have not been repealed, rescinded, superseded, amended or modified in any way unless the document effecting such repeal, rescission, supersession, amendment or modification is also listed below:

1. Charter of the Issuer.

2. Oaths of Office of the Mayor, Recorder and Members of the Council (the "Council").

3. Water Rate Tariff authorized on November 13, 2009.

4. Minutes of the meetings of the Council wherein the Water Rate Tariff was adopted.

5. Bond Ordinance (the "Ordinance") enacted on September 6, 2012.

6. Minutes of the August 2 and August 9, 2012 meetings and the September 6, 2012 public hearing of the Council wherein the Ordinance was read and approved.

7. Affidavit of publication of the abstract and notice of meeting on the Ordinance published in *The Times Record.*

8. Recommended Decision of the Public Service Commission of West Virginia entered on July 5, 2012, in Case No. 12-0221-W-CN, which became Final on July 25, 2012.

WITNESS my signature and the official seal of the City of Spencer as of the 13th day of September, 2012.

(SEAL)

Recorder

USDA Rural Development
United States Department of Agriculture
Rural Development
West Virginia State Office

$394,000
CITY OF SPENCER
WATER REVENUE BOND, SERIES 2012

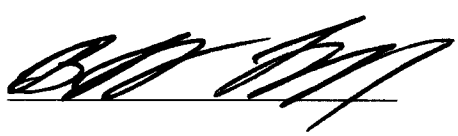
CONSENT TO ISSUANCE OF PARITY BOND AND PARITY LIEN

United States Department of Agriculture, Rural Development (the "Government") represents that it is the sole and only registered owner of the 1974 Bond issued in the amount of $765,000, the 1991 Bond issued in the amount of $365,000, the 1993 Bond issued in the amount of $300,000, the 1998 Bond issued in the amount of $885,000, the 2009 Bond issued in the amount of $415,000, and the 2010 Bond issued in the amount of $850,000, authorized by ordinances dated September 30, 1974, December 9, 1991, March 11, 1993, June 4, 1998, October 1, 2009, and April 27, 2010, respectively (collectively, the "Prior Bonds"). The Government does hereby consent to the issuance by the City of Spencer, Spencer, West Virginia (the "Issuer"), of its parity water revenue bond, Series 2012, in the amount of $394,000 (the "Series 2012 Bond"), to be sold to the Government. The Government hereby further consents that the Series 2012 Bond may be payable from the revenues of the water system of the Issuer and otherwise secured on a parity with the Prior Bonds and hereby waives the other conditions applicable to issuance of parity bonds.

By the execution of this consent, the undersigned hereby certifies that he is fully empowered and authorized to execute this consent on behalf of the Government.

WITNESS my signature as of this 13th day of September, 2012.

UNITED STATES DEPARTMENT OF AGRICULTURE,
RURAL DEVELOPMENT

By: 

Its: State Director

1550 Earl Core Road, Suite 101, Morgantown, WV 26505
304.284.4860 • 1.800.295.8228 • 304.284-4893 • TTY/TDD 304.284.4836 • Web: http://www.rurdev.usda.gov

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."
To file a complaint of discrimination write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, SW, Washington, DC 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD).

$394,000
CITY OF SPENCER
WATER REVENUE BOND, SERIES 2012

ACCEPTANCE OF APPOINTMENT OF DEPOSITORY BANK

First Neighborhood Bank, Inc., at its office located in Spencer, Roane County, West Virginia, hereby accepts appointment as Depository Bank in connection with an Ordinance of the City of Spencer (the "City") duly enacted by the City Council of the City (the "Council") and effective on September 6, 2012 (the "Ordinance"), authorizing issuance of City of Spencer, Water Revenue Bond, Series 2012, dated September 13, 2012, in the aggregate principal amount of $394,000, and agrees to perform all duties of Depository Bank as set forth in the Ordinance.

Witness my signature as of the 13th day of September, 2012.

FIRST NEIGHBORHOOD BANK, INC.

By: _____
Executive Vice President

REGISTRY

$394,000
CITY OF SPENCER
WATER REVENUE BOND
SERIES 2012

BOND NO.	AMOUNT	HOLDER	DATE ACQUIRED
R-1	$394,000	United States of America, United States Department of Agriculture, Rural Development 1550 Earl Core Road, Suite 101 Morgantown, WV 26505-7500	September 13, 2012

ALL ASSIGNMENTS OR CHANGES OF OWNERSHIP OF THIS BOND MUST BE REPORTED ON THIS REGISTRY PURSUANT TO SECTION 3.05 OF THE BOND ORDINANCE.

$394,000
CITY OF SPENCER
WATER REVENUE BOND
SERIES 2012

RECEIPT FOR BOND NO. R-1 AND TRANSCRIPT

The undersigned, for Rural Development (the "Purchaser"), hereby certifies as follows:

1. On the 13th day of September, 2012, at Spencer West Virginia, the undersigned received for the Purchaser the City of Spencer Water Revenue Bond, Series 2012, numbered R-1, in the amount of $394,000, dated as of the date hereof, bearing interest at the rate of 2.125% per annum, payable in monthly installments as stated in the Bond. The Bond represents the entire above-captioned Bond issue.

2. At the time of such receipt, the Series 2012 Bond had been executed and sealed by the designated officials of the City.

3. At the time of such receipt, there was paid to the City $130,739.06 representing a portion of the aggregate principal amount of the Series 2012 Bond.

4. At the time of such receipt, there was also received by the undersigned a set of Bond Transcript documents.

WITNESS my signature as of this 13th day of September, 2012.

RURAL DEVELOPMENT

By: _____
Rural Development Specialist

[redacted]

201238614410

Thursday, September 13, 2012
3:21 PM

WV SECRETARY OF STATE

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional]
William K. Bragg, Jr. 304-346-7000

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

William K. Bragg, Jr.
Goodwin & Goodwin, LLP
300 Summers Street, Suite 1500
Charleston, WV 25301-1678

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME – insert only one debtor name (1a or 1b) – do not abbreviate or combine names

1a. ORGANIZATION'S NAME
City of Spencer

OR

1b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX

1c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY
116 Court Street	Spencer	WV	25276	USA

1d. TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	1e. TYPE OF ORGANIZATION	1f. JURISDICTION OF ORGANIZATION	1g. ORGANIZATIONAL ID #, if any
55-6000256		Municipality	West Virginia	X NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME – insert only one debtor name (2a or 2b) – do not abbreviate or combine names

2a. ORGANIZATION'S NAME

OR

2b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX

2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

2d. TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	2e. TYPE OF ORGANIZATION	2f. JURISDICTION OF ORGANIZATION	2g. ORGANIZATIONAL ID #, if any
				☐ NONE

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P) – insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME
United States Department of Agriculture, Rural Utilities Service

OR

3b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX

3c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY
1550 Earl Core Road, Suite 101	Morgantown	WV	26505	USA

4. This FINANCING STATEMENT covers the following collateral:

Statutory mortgage lien on accounts, revenues, water system and other property as provided by Bond Ordinance authorizing the issuance of $394,000 City of Spencer, Water Revenue Bond, Series 2012, and by Chapter 8, Article 19 of the Code of West Virginia of 1931, as amended.

This Financing Statement is filed in connection with a public-finance transaction of the City of Spence, Roane County, West Virginia. Pursuant to the provisions of Section 46-9-515(b) of the Code of West Virginia of 1931, as amended, this financing statement shall be effective for a period of forty (40) years from its date of filing, unless the underlying debt is repaid sooner.

5. ALTERNATIVE DESIGNATION [if applicable]: ☐ LESSEE/LESSOR ☐ CONSIGNEE/CONSIGNOR ☐ BAILEE/BAILOR ☐ SELLER/BUYER ☐ AG. LIEN ☐ NON-UCC FILING

6. ☐ This FINANCING STATEMENT is to be filed [for record](or recorded) in the REAL ESTATE RECORDS. Attach Addendum [if applicable]

7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) [ADDITIONAL FEE] [optional] ☐ All Debtors ☐ Debtor 1 ☐ Debtor 2

8. OPTIONAL FILER REFERENCE DATA

GOODWIN

Goodwin & Goodwin, LLP
300 Summers Street
Suite 1500
Charleston, WV 25301-1678

T (304) 346-7000
F (304) 344-9692

www.goodwingoodwin.com

September 13, 2012

City of Spencer
116 Court Street
Spencer, WV 25276

United States of America
Rural Development
530 Freedom Road
Ripley, WV 25271

Re: $394,000 City of Spencer
Water Revenue Bond, Series 2012

Gentlemen:

We have examined a record of proceedings relating to the issuance by the City of Spencer (the "Issuer") of its Water Revenue Bond, Series 2012, in the principal amount of $394,000, bearing interest on the unpaid principal balance from date of delivery at the rate of two and 125/1000 percent (2.125%) per annum, and dated on the date hereof (the "Bond").

The Bond has been authorized by an ordinance (the "Bond Ordinance") duly enacted by the City Council of the Issuer, which is the governing body of the Issuer.

Interest only on the Bond is payable in monthly installments for the twenty-four (24) months after delivery of the Bond and thereafter the principal of and interest on the Bond is payable in monthly installments of $1,261.00, to and including the 480th month after the date of the Bond, the final installment to be in the sum of the unpaid principal and interest due on the date thereof.

Principal installments upon the Bond are subject to payment in advance as provided therein and in the Bond Ordinance.

The Bond Ordinance and the Bond provide that the issue is for the purpose of financing the costs of construction and acquisition of the improvements and additions to an existing water system (the "System") of the Issuer.

Upon issuance of the Bond, the Issuer has outstanding the 1974 Bond, the 1991 Bond, the 1993 Bond, the 1998 Bond, the 2009 Bond and the Series 2010 Bond, all as described in the Bond Ordinance, which are on a parity as to lien and source of and security for payment with the Bond.

In rendering this opinion, we have relied, in part, upon the opinion letter of Hedges, Jones, Whittier and Hedges, attorney to the Issuer, and the combined General Certificate of Issuer and attorney for Issuer.

GOODWIN

It is our opinion that:

1. The Issuer is a duly organized and presently existing municipality and is a public corporation and a political subdivision of the State of West Virginia with full power and authority to construct, acquire, operate and maintain the System and issue and sell the Bond, all under the provisions of Chapter 8, Article 19 (the "Act"), of the Code of West Virginia of 1931, as amended, and other applicable provisions of law.

2. The Issuer, through its Council, has legally and effectively enacted the Bond Ordinance in connection with the bond issue and issued, sold and delivered the Bond to the Rural Development.

3. As of this date, the Bond is in due and proper form and has been duly executed and delivered and constitutes a valid and legally enforceable special obligation of the Issuer secured by and payable solely from a parity statutory lien with the Bond and the 1974 Bond, the 1991 Bond, the 1993 Bond, the 1998 Bond, the 2009 Bond and the 2010 Bond, as described in the Bond Ordinance, and a pledge of the Net Revenues of the System, all in accordance with the terms of the Bond and the Bond Ordinance.

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

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

6. It is to be understood that the rights of the holder of the Bond and the enforceability of the Bond and the Bond Ordinance, and the liens and pledges set forth therein, may be subject to and this opinion is limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

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

Respectfully submitted,

Goodwin & Goodwin, LLP

GOODWIN & GOODWIN, LLP

Grover F. Hedges (1885- 1955)
G.F. Hedges, Jr. (1914-1986)

Orton A. Jones
Thomas N. Whittier
Christine M. Hedges

Hedges
Jones Whittier
& Hedges
Attorneys at Law

216 Market Street, Suite 201
First Neighborhood Bank Building
Post Office Box 7
Spencer, West Virginia 25276

Telephone (304) 927-3790
Facsimile (304) 927-6050

September 13, 2012

Rural Development
530 Freedom Road
Ripley, WV 25271

Goodwin & Goodwin, LLP
P.O. Box 2107
Charleston, WV 25328-2107

City of Spencer
116 Court Street
Spencer, WV 25276

Re: $394,000 City of Spencer
Water Revenue Bond, Series 2012

Gentlemen:

As attorney for the City of Spencer, Roane County, West Virginia (the "City"), we have examined the record of proceedings relating to the issue of the City of Spencer, Water Revenue Bond, Series 2012 (the "Bond") and have considered the validity of the bond issue. In this connection we have examined and are familiar with the constitution and statutes of the State of West Virginia, including Chapter 8, Article 19 of the Code of West Virginia of 1931, as amended, the City's Charter, related minutes and a certified copy of the Ordinance passed by the City (the "Ordinance"), a copy of the certificate of convenience and public necessity issued by the West Virginia Public Service Commission, the water rates necessary to pay for the Bond as described in the Ordinance, copies of contracts and other documents relating to the funding and approval for the project by the City, including, but not limited, to the construction contract, plans and specifications, and other documents relating to the project, the letter of conditions forwarded by the Farmers Home Administration (now known as Rural Utilities Service) to the City, the existing 1974, 1991, 1993, 1998, 2009 and 2010 Bonds and Ordinances and other documents incidental and material to the issuance by the City of the Bond. From such familiarity and examination, we are of the opinion as follows:

1. The City is a duly created and presently existing municipality and political subdivision of the State of West Virginia with full power and authority to construct and acquire and to operate and maintain the Water System and to issue and sell the Bond, all under the provisions of Chapter 8, Article 19 (the "Act"), of the Code of West Virginia of 1931, as amended, and other applicable provisions of law.

2. The City, through City Council (the "Council"), has legally and effectively enacted the

Ordinance and has duly authorized the issuance and delivery of the Bond to the Rural Utilities Service, and the Mayor of the City is duly and lawfully entitled to and authorized to execute the Bond.

3. The Mayor, Recorder and members of the Council have been duly elected or appointed and have fulfilled all requirements necessary to carry on their duties as provided under the Act.

4. The Bond constitutes a valid and legally enforceable special obligation of the City secured by and payable solely from a parity lien on and pledge of the net revenue of the System as described in the Ordinance, all in accordance with the terms of the Bond and the Ordinance, subject to and on a parity with the 1974, 1991, 1993, 1998, 2009 and 2010 Bonds as such Bonds are described in the Bond Ordinance. The holders of such Bonds have consented to the issuance of the parity 2012 Bond.

5. The City, through its Council, has legally and effectively enacted the water rates necessary to make the payments on the Bond from the rates described in the Ordinance, and it has lawfully enacted and has filed a tariff which has been approved by the West Virginia Public Service Commission for the water rates that are described within the Ordinance, which rates are not subject to appeal or protest.

6. The City has obtained from the West Virginia Public Service Commission a valid, final and non-appealable certificate of convenience and necessity in Case No. 12-0221-W-CN which lawfully authorizes the City to proceed with the expansion, construction and maintenance of the City's Water System and approves the issuance of the Bond.

7. The City, through its Council, has legally and effectively enacted all other ordinances, contracts and agreements that are necessary to comply with the letter of conditions previously forwarded and conditions required therein and has complied with all necessary provisions of the Ordinance necessary before the Bond may be issued and delivered and so that the Bond can, in fact, be lawfully issued and delivered.

8. The execution and delivery of the Bond and the enactment of the Ordinance and compliance with the provisions of them will not conflict with nor constitute a breach of or default under any agreement or other instrument known to us to which the City is a party, or any court order or consent decree known to us to which the City is subject, or any law or administrative regulation to which the City is subject.

9. All authorization, consents, approvals and reviews by governmental bodies or regulatory authorities then required for the City's adoption, execution or performance of the Bond and the Ordinance have been obtained or affected, and we have no reason to believe that the City will be unable to obtain or affect any additional such authorizations, consents or approvals that may be required in the future for performances of any of them by the City.

10. To our knowledge, there is no action, suit, proceeding or investigation at law or in equity by any court, public board or body, pending or threatened against of affecting the City or any member of the Council, and no facts exist relating to the composition of the Council or the exercise of their duties, wherein an unfavorable decision, ruling or finding would have a materially adverse effect upon the validity of the Bond or the Ordinance.

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

The foregoing opinion is qualified to the extent that the enforceability of the liens, pledges and terms set forth in the Bond and in the Bond Ordinance may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally.

Very truly yours,

Hedges, Jones, Whittier and Hedges

Position 5

Form RD 1927-10
(Rev. 7-98)

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
FARM SERVICE AGENCY

FORM APPROVED
OMB NO. 0575-0147

FINAL TITLE OPINION

LOAN APPLICANT	ADDRESS OR PROPERTY COVERED BY THIS OPINION	
The City of Spencer	See Exhibit A	
APPLICANT FOR TITLE EXAMINATION The City of Spencer	COUNTY Roane	STATE West Virginia

I. I have examined title to the property described in the security instrument described in paragraph II. B. below. My examination covered the period from the time of termination of title search covered by my Preliminary Title Opinion on Form RD 1927-9; or the time of recordation of the initial loan security instrument if this opinion covers land already owned by the loan applicant in a subsequent loan case, to September 13, 2012 (Date) at 10:00 a.m. p.m. (including the time of filing the current security instrument).

II. Based on said title examination, my preliminary title examination if any, and any additional information concerning the title which has come to my attention, it is my opinion that:

A. Good and marketable title, in accordance with title examination standards prevailing in the area, to said property (real estate and any water rights offered as security) is now vested in the City of Spencer (see attached)

as tenant in entirety
(Joint tenants, tenants by the entirety, etc.)

B. The United States of America holds a valid shared *(Priority)* 1st priority *(Mortgage, etc.)* lien on said property as required by Rural Development or the Farm Service Agency, or their successor (Agency), which lien was filed for record on _____ *(Date)*, _____, at _____ a.m. p.m. and is recorded in _____ *(Book, page, and office)*.

C. Said property and lien are subject only to encumbrances, reservations, exceptions, and defects which were approved by written administrative waivers of the Agency attached hereto or to my Preliminary Title Opinion.

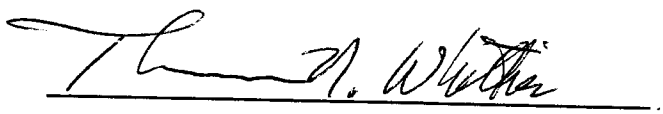
III. If a water right is involved and is not covered by the current security instrument, it is subject only to the encumbrances, reservations, exceptions, and defects set forth in said administrative waivers and was made available as security in the following manner (Water stock would normally be reissued in the names of said land owners and the United States of America and delivered to the Agency Official at the time of loan closing):

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0147. The time required to complete this information collection is estimated to average 20 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

IV. The term "encumbrances, reservations, exceptions, and defects" means all matters which would prevent the United States from obtaining the required lien on the property identified in paragraph I, including but not limited to (a) mortgages, deeds of trust, and vendors', mechanics', materialmen's, and all other liens, including any provisions thereof for future advances which could take priority over the said lien to the United States, (b) Federal, State, and local taxes, including county, school, improvement, water, drainage, sewer, inheritance, personal property, and income, (c) State and Federal bankruptcy, insolvency, receivership, and probate proceedings, (d) judgments and pending suits, in State and Federal courts, (e) recorded covenants; conditions; restrictions; reservations; liens; encumbrances; easements; rights-of-way; leases; mineral, oil, gas, and geothermal rights (regardless of the right of surface entry); timber rights; water rights; pending court proceedings and other matters of record which affect the title of the property or the ability of the buyer or seller to convey or accept title.

V. This opinion is issued expressly for the benefit of the above-named applicant for title examination and the United States of America acting through the United States Department of Agriculture Agency which provided the assistance, and I assume liability to each hereunder.

September 13, 2012
(Date)



(Attorney's signature)

Hedges, Jones, Whittier & Hedges
P.O. Box 7
Spencer, West Virginia 25276

(Address, include ZIP Code)

Attachments

The said properties are subject to the following existing bond issues wherein the City of Spencer has encumbered the properties to secure bonds issued by the United States Department of Agriculture, Rural Development: Water Revenue Bond Series of 1974; Water Revenue Bond Series of 1991; Water Revenue Bond Series of 1993; Water Revenue Bond Series of 1998; Water Revenue Bond Series of 2009; Water Revenue Bond Series of 2010

EXHIBIT A
TO
FINAL TITLE OPINION

CITY OF SPENCER WATER PLANT IMPROVEMENT

SPENCER CORPORATION

Description	Map/Parcel	Deed Bk./Page
Summit Pump Station 23,880 sq. ft. McMullen Run	1 - 181	249 - 450
Jefferson St. Pump Station Block 7, Lot 1, Holswade Addn.	7 - 43	232 - 171
Miletree Reservoir. 5.7 A., Tanner Run	8-73	232 - 171
Miletree Reservoir, 26 A. Surface, MileTree	8 - 74	232 - 171
Miletree Reservoir, .13 Surface Miltree	8 - 75	232 - 171
Miletree Reservoir, 36 Surface Miletree	8 - 76	232 - 171
Miletree Reservoir, 11 Surface Tanner Run	12 - 1	160 - 519
Miletree Reservoir, .089 Surface Miletree	12 - 3	232 - 171

SPENCER DISTRICT

9.6 A. Miletree	16 - 162	232 - 171
1.0 A. Miletree	16 - 170	232 - 171
.24 A. Colt Ridge (Colt Ridge Tank)	16 - 201	232 - 610
.05 A. Surf Tanners Run (Ward Tank)	21 - 10.3	335 - 365

Description	Map/Parcel	Deed Bk./Page
.134 A. Surf Tanners Tun (Ward Tank)	21 - 10.4	335 - 368
.08 Fee Tanners (Ripley Rd. Booster St.)	21 - 41	335 - 362
17,000 sq. ft. Hassig Addn. (Hassig Tank)	22 - 119	237 - 406
14,000 sq. ft. Riley Addn. (Water Plant)	22 B - 43	223 - 626
18,600 sq. ft. Riley Addn. (Water Plant)	22 B - 44	223 - 626
Pt. Lot 24, Riley Addn. (Water Plant)	22B - 45	232 - 608
Pt. Lot 23, 24, Riley Addn. (Water Plant)	22B - 46.1	232 - 736
Pt. Lot 24 10/120, Riley Addn. (Water Pl.)	22B - 46.2	232 - 736
1 A. Wells Addn. (Water Plant)	22B - 48	232 - 171
13,320 sq. ft., Riley Addn. (Water Plant)	22B - 51.4	419 - 736
12,995 sq. ft., Riley Addn. (Water Plant)	22B - 51.5	419 - 436
Lot, Goff Run (Lewis Booster Station)	22D - 18	370 - 315
Lot, Sur, Spencer (Stock Pen Tank)	23 - 128.3	250 - 776
Charles Fork Lake Reservoir		
51 A. Fee, Charles Fork	28 - 8	232 - 325
6 A. Fee, Charles Fork	28 - 9	232 - 325
72 A. Fee, Charles Fork	28 - 15	232 - 325
39, Surface, ½ OG, Charles Fork	28 - 16	233 - 584
18 Surface, 1/4 OG, Charles Fork	28 - 19	232 - 315
95 Sq. Rds, Charles Fork	28 - 20	232 - 315
29 Surface, ½ OG, Charles Fork	28 - 21	232 - 315

Description	Map/Parcel	Deed Bk./Page
.62 Surface, Charles Fork	28 - 24	232 - 325
134 Surface 1/4 OG, Charles Fork	28 - 25	232 - 325
24 Surface, Charles Fork	28 - 26	232 - 335
75 sq. rds. Surface, ½ OG, Charles Fork	28 - 27	232 - 325
79 Surface, Charles Fork	28 - 28	232 - 315
90 Surface, Charles Fork	28 - 31	239 - 295
35 Surface, ½ OG, Charles Fork	28 - 32	232 - 325
55 Sur. 1/6 OG, Spring Creek	28 - 33.1	245 - 12
60.5 Surface, Spring Creek	33 - 4	354 - 328
64 Sur. 1/4 OG, Spring Creek	33 - 30	233 - 27
69 Sur., 198 Sq. Rds., Charles Fork	34 - 3	235 - 195
204 A. Fee, Spring Creek	34 - 3	235 - 195
124 Surface, Charles Fork	34 - 4	232 - 463
16.3 Surface, Spring Creek	34 - 5.1	232 - 463
43.20 Surface, Spring Creek	34 - 5.2	294 - 423
53 Fee, Charles Fork	34 - 14	232 - 450
60 Surface, Charles Fork	34 - 15	232 - 450
37 Fee, Spring Creek	34 - 15.1	233 - 352
45 Surface, Charles Fork	34 - 16	230 - 433
69 Surface, Spring Creek	34 - 17	254 - 324
32 Fee, Charles Fork	34 - 21	235 - 533

Description	Map/Parcel	Deed Bk./Page
1 Fee, Charles Fork	34 - 21.1	235 - 533
13 Surface, Charles Fork	34 - 23	254 - 316
53 Surface, Charles Fork	34 - 26	233 - 481
63 Fee, Charles Fork	34 - 27	232 - 270
83 Surface, Charles Fork	34 - 28	233 - 189
123 A. Fee, Spring Creek, Missouri Fork Tank	33 - 25	342 - 358

Position 5

Form RD 442-22
(Rev. 10-96)

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT

FORM APPROVED
OMB NO. 0575-0015

OPINION OF COUNSEL RELATIVE TO RIGHTS-OF-WAY

Date September 13, 2012

Dear Sir:

I have reviewed the action taken by The City of Spencer (hereinafter called the "Corporation") in obtaining a right-of-way for the construction, operation, and maintenance of the facilities to be installed, repaired, or enlarged with the proceeds of a loan made or insured by, and/or a grant from Rural Development to the Corporation. I have examined the right-of-way instruments, permits, or licenses obtained from landowners, public bodies, and public utilities and made such searches of the public records necessary to determine the legal sufficiency of the instruments covered by the "Right-of-way

Certificate," executed by the Corporation on September 13, 20 12. I also have examined the "Right-of-way Map" to determine whether continuous and adequate land and rights-of-way are owned or have been acquired by the instruments covered in the "Right-of-way Certificate".

Based on the foregoing examination, and to the best of my knowledge, information, and belief, I am of the opinion that:

A. The legal instruments by which the Corporation has acquired said rights-of-way (a) are in appropriate and due legal form and adequately confer upon the Corporation the necessary rights-of-way for the construction, operation, and maintenance of its facilities in their present or proposed location, and such omissions or defects as may exist will in no substantial way or manner endanger the value or operation of the facilities, and (b) have each been properly recorded in the appropriate public land records of each County in which any of the land affected thereby is situated. Such consents, releases, or subordinations from lienholders recommended by me or required by Rural Development have been obtained.

B. The legal instruments referred to above give unto the Corporation a continuous and adequate right-of-way to permit the construction, operation, and maintenance of the Corporation's facilities except as below noted.

C. Exceptions:
None

Very truly yours,

T. J. Whitten

Attorney for The City of Spencer

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to U.S. Department of Agriculture, Clearance Officer STOP 7602, 1400 Independence Avenue, S. W, Washington, D. C. 20250-7602. ***Please DO NOT RETURN this form to this address.*** *Forward to the local USDA office only. You are not required to respond to this collection of information unless it displays a currently valid OMB control number.*

COPY

GOODWIN

Goodwin & Goodwin, LLP
300 Summers Street
Suite 1500
Charleston, WV 25301-1678

T (304) 346-7000
F (304) 344-9692

www.goodwingoodwin.com

September 10, 2012

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

Re: $394,000 City of Spencer
Water Revenue Bond, Series 2012

Dear Sara:

Enclosed please find the New Issue Report Form prepared in connection with the above-referenced transaction and sent to you for filing in your office in regard to the same. Upon completion of the transcript, I will deliver a copy to you for your reference. In the meantime, if you have any questions concerning this transaction, please feel free to contact me.

Sincerely yours,

Bill Bragg

William K. Bragg, Jr.

WKB/aks
Enclosure

WV MUNICIPAL BOND COMMISSION
900 Pennsylvania Avenue, Suite 1117
Charleston, WV 25302
(304) 558-3971

NEW ISSUE REPORT FORM
Date of Report: September 10, 2012
(See Reverse for Instructions)

ISSUE: $394,000 City of Spencer
Water Revenue Bond, Series 2012
ADDRESS: 116 Court Street
Spencer, WV 25276 COUNTY: Roane
PURPOSE: New Money X
OF ISSUE: Refunding ___ Refunds issue(s) dated:
ISSUE DATE: September 13, 2012 CLOSING DATE: September 13, 2012
ISSUE AMOUNT: $394,000 RATE: 2.125 %
1ST DEBT SERVICE DUE: October 13, 2012 1ST PRINCIPAL DUE: October 13, 2014
1ST DEBT SERVICE AMT.: TBD* PAYING AGENT: Muni. Bond Comm.**

BOND COUNSEL: Goodwin & Goodwin, LLP
Contact Person: W.K. Bragg, Jr.
Phone: (304) 346-7000

BORROWER: City of Spencer
Contact Person: Terry A. Williams, Mayor
Phone: (304) 927-1640

LENDER: USDA, Rural Utilities Service
Contact Person: Virginia McDonald
Phone: (304) 372-6231, Ext. 4

DEPOSITS TO MBC AT CLOSE:

By ___ Wire
___ Check

___ Accrued Interest: $_____
___ Capitalized Interest: $_____
___ Reserve Account: $_____
___ Other: _____ $_____

TRANSFERS BY MBC AT CLOSE:

By ___ Wire
___ Check
___ IGT

___ To Escrow Trustee: $_____
___ To Issuer: $_____
___ To Cons. Invest. Fund: $_____
___ Other: _____ $_____

Notes: * Subject to actual amount advanced at closing and monthly.
** Only if Lender no longer owns the Bond.

FOR MUNICIPAL BOND COMMISSION USE ONLY:
DOCUMENTS
REQUIRED:_____
TRANSFERS
REQUIRED:_____

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered: July 5, 2012

FINAL

7/25/2012

CASE NO. 12-0221-W-CN

CITY OF SPENCER WATERWORKS,
a public utility, Spencer, Roane County.
Application for a certificate of convenience and Necessity to construct and operate a water distribution system in Roane County.

RECOMMENDED DECISION

This Recommended Decision grants the certificate application and approves the financing proposed for the project.

PROCEDURE

On February 9, 2012, the City of Spencer Waterworks (Spencer) filed an application for an emergency certificate of convenience and necessity, pursuant to *West Virginia Code* (*Code*) §24-2-11, to upgrade certain aging portions of its existing water distribution system that provide service to customers in the City of Spencer and surrounding areas of Roane County. It is expected that the proposed upgrades will reduce line loss, reduce maintenance costs and generally improve service to those customers outside Spencer's corporate limits. The estimated cost of the project is approximately $1,500,000, to be funded with a $1,106,000 grant from the United States Department of Agriculture, Rural Utilities Service (RUS), and a $394,000 RUS loan. The application stated that the project was entirely grant-funded.

On February 10, 2012, Spencer filed a letter noting an error in the application, i.e., the project is partially grant-funded and partially loan-funded.

On March 6, 2012, Staff Attorney Ronald E. Robertson, Jr., filed an Initial and Final Joint Staff Memorandum, attaching the March 5, 2012 Utilities and Engineering Division s' Initial and Final Recommendation prepared by Utilities Analyst Karen L. Buckley, Utilities Division, and Technical Analyst Lisa Bailey, Engineering Division. Commission Staff noted that the certificate filing is incomplete and does not contain (i) a Rule 42 financial exhibit to prove that a rate increase will not be necessary given the additional RUS $394,000 loan; (ii) the bond document from RUS; and (iii) an updated project cost estimate. Staff recommended this case be dismissed without prejudice or, in the alternative, that Spencer request that the Commission toll the running of the statutory due date in order to complete its filing.

On March 8, 2012, Spencer filed a publication affidavit showing that the Amended Notice of Filing was published on February 23, 2012, in the *Roane County Reporter*, a newspaper

published and generally circulated in Roane County. The Amended Notice of Filing indicated that the project would not require a rate increase. No protests were filed.

On March 12, 2012, Spencer filed a response to the Staff Memorandum which included the items Staff noted as missing from the certificate application.

By Commission Order issued March 14, 2012, the Commission changed the case designation from an emergency certificate case to a regular certificate case and referred the matter to the Division of Administrative Law Judges (ALJ Division) for decision no later than July 23, 2012, and indicated that the statutory deadline is September 21, 2012.

On April 25, 2012, Spencer filed additional information for consideration.

On May 3, 2012, Spencer filed a Motion to Toll, requesting that the statutory deadline be tolled for 45 days. Spencer also requested the due dates for the Staff final recommendation and Administrative Law Judge (ALJ) decision also be extended for 45 days. Spencer explained that additional information is needed to explain certain accounting matters and that it will not be possible to file that information before the Staff recommendation due date of May 9, 2012.

By Commission Order entered on May 4, 2012, the Commission tolled the running of the current statutory due date until November 5, 2012; granted the ALJ until September 6, 2012, to render a written recommended decision; and granted Commission Staff until June 23, 2012, to submit its final substantive recommendation.

On June 6, 2012, Staff Attorney Ronald E. Robertson, Jr., filed the Further Final Joint Staff Memorandum, attaching the Utilities and Engineering Divisions Further Final Recommendation. Together, these Memoranda comprise Commission Staff's final substantive recommendation. The certificate application seeks approval to upgrade certain aging portions of Spencer's existing water distribution system in Spencer and surrounding areas in Roane County. The upgrade is comprised of the installation of approximately 1,500 linear feet of 12-inch water mainlines; approximately 5,000 linear feet of 8-inch water mainlines; approximately 2,300 linear feet of 6-inch water mainlines; and all necessary valves and other appurtenances. The financing for the project is comprised of a $1,106,000 RUS grant and a $394,000 RUS loan, which funding has been committed. The project will not affect Spencer's rates. Spencer serves approximately 2,200 customers in addition to two resale customers, i.e., the Town of Reedy, which serves approximately 170 customers, and Clover Public Service District, which serves approximately 330 customers. The project will address certain portions of Spencer's existing water mainlines that are undersized, which require additional maintenance, contribute to water loss and are incapable of meeting future water demands. The project also will provide fire protection service to several areas in Spencer that currently are without fire protection service. The project will address the fact that two of the five existing water storage tanks are in need of repainting, repairing and resealing as a result of their ages. Additionally, the project will enable Spencer to replace a service truck and a backhoe in order to provide reliable operations and maintenance to its service area. Staff opined that the project is needed and that the public convenience and necessity require the project and recommended approving the certificate application without specifically approving the plans and specifications. The West Virginia Office of Environmental

Health Services issued Permit No. 18,967 on February 3, 2012, for the project. Staff opined that Spencer has obtained all necessary permits and regulatory approvals for the project. The project will not require additional personnel. The project will not add any new customers. Spencer has acquired all necessary rights-of-way. The project will help alleviate Spencer's 23% unaccounted-for water loss. The cost per customer is approximately $682. While Staff believes that the projected cost of the project is reasonable, including the engineering costs, the actual project cost will not be known until bids are received and tabulated. Should the actual cost be more than the projected cost, Spencer should be required to obtain separate Commission approval prior to commencing construction. The operation and maintenance (O&M) expenses will possibly decrease because of the project. Staff opined that Spencer chose the most cost-effective alternative. From a financial viewpoint, the loan will increase Spencer's debt service requirement by approximately $16,080, which will be offset by the decrease in O&M expenses. Once the project is operational, the existing rates will provide Spencer with a $20,568 total surplus, including the amount of the renewal and replacement reserve, and will provide a debt service coverage of approximately 115.61%. Staff recommended granting the certificate application and approving the funding for the project.

On June 8, 2012, Spencer filed a letter from counsel indicating its agreement with Staff's final substantive recommendation.

By Order Canceling June 28, 2012 Hearing issued on June 15, 2012, the ALJ canceled the procedural schedule adopted by the May 22, 2012 Order, including the Thursday, June 28, 2012 hearing date.

DISCUSSION

Having considered all of the above, since no dispute remains to be resolved in this proceeding, as evidenced by the response to Staff's final recommendation, the ALJ will consider the parties to have waived their rights under *West Virginia Code* §24-1-9(b) to file proposed findings of fact and conclusions of law, or briefs, in this proceeding, or to a hearing.

The ALJ holds that, since Spencer provided proper notice by publishing the Amended Notice of Filing on February 23, 2012, in the *Roane County Reporter*; since no protests were filed; since the project will not affect Spencer's rates; since the project will address certain portions of Spencer's existing water mainlines that are undersized, which require additional maintenance, contribute to water loss and are incapable of meeting future water demands; since the project also will provide fire protection service to several areas in Spencer that currently are without fire protection service; since the project will address the fact that two of the five existing water storage tanks are in need of repainting, repairing and resealing as a result of their ages; since the project will enable Spencer to replace a service truck and a backhoe in order to provide reliable operations and maintenance to its service area; since the OEHS issued Permit No. 18,967 on February 3, 2012, for the project; and since Spencer has obtained all necessary permits and regulatory approvals, the ALJ holds that the public convenience and necessity require the project and he will grant the certificate application, without specifically approving the plans and specifications. The proposed financing for the project also will be approved. Should the actual cost be more than the projected cost, Spencer should be required to obtain separate Commission

approval prior to commencing construction. Should the plans or scope of the project change or should rates change because of the project, Spencer must obtain additional Commission approval. Changes in project cost and financing do not require additional Commission approval if a certified public accountant certifies by affidavit that such changes do not affect rates. Spencer must promptly file a copy of the engineer's certified tabulation of bids for all contracts associated with the project and file a certificate of substantial completion as soon as the project engineer certifies that the project is substantially complete.

FINDINGS OF FACT

1. The City of Spencer Waterworks filed an application for an emergency certificate of convenience and necessity, pursuant to *Code* §24-2-11, to upgrade certain aging portions of its existing water distribution system that provide service to customers in the City of Spencer and surrounding areas of Roane County. It is expected that the proposed upgrades will reduce line loss, reduce maintenance costs and generally improve service to those customers outside Spencer's corporate limits. The estimated cost of the project is approximately $1,500,000, to be funded with a $1,106,000 RUS grant and a $394,000 RUS loan. (See, certificate application filed on February 9, 2012).

2. Spencer published the Amended Notice of Filing on February 23, 2012, in the *Roane County Reporter*, a newspaper published and generally circulated in Roane County. The Amended Notice of Filing indicated that the project would not require a rate increase. (See, publication affidavit filed March 8, 2012).

3. No protests were filed. (See, Commission's file).

4. The certificate application seeks approval to upgrade certain aging portions of Spencer's existing water distribution system in Spencer and surrounding areas in Roane County. The upgrade is comprised of the installation of approximately 1,500 linear feet of 12-inch water mainlines; approximately 5,000 linear feet of 8-inch water mainlines; approximately 2,300 linear feet of 6-inch water mainlines; and all necessary valves and other appurtenances. (See, Further Final Joint Staff Memorandum, with attachments, filed on June 6, 2012).

5. The financing for the project is comprised of a $1,106,000 RUS grant and a $394,000 RUS loan, which funding has been committed. (See, Further Final Joint Staff Memorandum, with attachments, filed on June 6, 2012).

6. The project will not affect Spencer's rates. (See, Further Final Joint Staff Memorandum, with attachments, filed on June 6, 2012).

7. The project will address certain portions of Spencer's existing water mainlines that are undersized, which require additional maintenance, contribute to water loss and are incapable of meeting future water demands. The project also will provide fire protection service to several areas in Spencer that currently are without fire protection service. The project will address the fact that two of the five existing water storage tanks are in need of repainting, repairing and resealing as a result of their ages. Additionally, the project will enable Spencer to replace a

service truck and a backhoe in order to provide reliable operations and maintenance to its service area. (See, Further Final Joint Staff Memorandum, with attachments, filed on June 6, 2012).

8. Staff opined that the project is needed and that the public convenience and necessity require the project and recommended approving the certificate application without specifically approving the plans and specifications. (See, Further Final Joint Staff Memorandum, with attachments, filed on June 6, 2012).

9. The OEHS issued Permit No. 18,967 on February 3, 2012, for the project. (See, Further Final Joint Staff Memorandum, with attachments, filed on June 6, 2012).

10. Spencer has obtained all necessary permits and regulatory approvals for the project. (See, Further Final Joint Staff Memorandum, with attachments, filed on June 6, 2012).

11. The project will not require additional personnel. The project will not add any new customers. Spencer has acquired all necessary rights-of-way. The project will help alleviate Spencer's 23% unaccounted-for water loss. The cost per customer is approximately $682. (See, Further Final Joint Staff Memorandum, with attachments, filed on June 6, 2012).

12. The O&M expenses will possibly decrease because of the project. (See, Further Final Joint Staff Memorandum, with attachments, filed on June 6, 2012).

13. Spencer chose the most cost-effective alternative. (See, Further Final Joint Staff Memorandum, with attachments, filed on June 6, 2012).

14. The RUS loan will increase Spencer's debt service requirement by approximately $16,080, which will be offset by the decrease in O&M expenses. Once the project is operational, the existing rates will provide Spencer with a $20,568 total surplus, including the amount of the renewal and replacement reserve, and will provide a debt service coverage of approximately 115.61%. (See, Further Final Joint Staff Memorandum, with attachments, filed on June 6, 2012).

15. Staff recommended granting the certificate application and approving the funding for the project. (See, Further Final Joint Staff Memorandum, with attachments, filed on June 6, 2012).

16. Spencer indicated its agreement with Staff's final substantive recommendation. (See, letter filed June 8, 2012).

CONCLUSIONS OF LAW

1. The public convenience and necessity require the proposed project.

2. The proposed financing for the project should be approved.

3. Spencer's existing rates are sufficient to support the proposed project.

6. Should the scope, plans or financing for the project change, Spencer must obtain prior Commission approval before commencing construction. Changes in project costs or funding do not require separate approval if those changes do not affect rates and the Town submits an affidavit from a certified public accountant to this effect.

ORDER

IT IS, THEREFORE, ORDERED that the application for a certificate of public convenience and necessity filed with the Commission on February 9, 2012, by the City of Spencer Waterworks, pursuant to *Code* §24-2-11, to upgrade certain aging portions of its existing water distribution system that provide service to customers in the City of Spencer and surrounding areas of Roane County, be, and hereby is, granted, without specifically approving the plans and specifications.

IT IS FURTHER ORDERED that the proposed financing for the project, which totals approximately $1,500,000 and is comprised of a $1,106,000 grant from the United States Department of Agriculture, Rural Utilities Service, and a $394,000 loan from the United States Department of Agriculture, Rural Utilities Service, be, and hereby is, approved.

IT IS FURTHER ORDERED that, should the scope or plans for the project change, the City of Spencer Waterworks obtain prior Commission approval before commencing construction. Changes in project cost and financing do not require separate approval if those changes do not affect rates and Spencer submits an affidavit from a certified public accountant to this effect.

IT IS FURTHER ORDERED that the City of Spencer Waterworks submit a copy of the certified tabulation of bids to the Commission, making the bids a part of the Commission's file in this case, as soon as the bids are tabulated.

IT IS FURTHER ORDERED that the City of Spencer Waterworks notify the Commission when the project engineer has performed the substantial completion inspection and submit the certificate of substantial completion to the Commission as soon as it becomes available.

IT IS FURTHER ORDERED that, if this project requires the use of Division of Highways' rights-of-way, the City of Spencer Waterworks comply with all rules and regulations of the Division of Highways regarding the use of those rights-of-way.

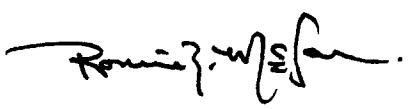
IT IS FURTHER ORDERED that this matter be, and hereby is, removed from the Commission's docket of open cases.

IT IS FURTHER ORDERED that the Executive Secretary serve a copy of this order upon the Commission by hand delivery; by electronic service upon all parties of record who have filed an e-service agreement with the Commission; and by United States Certified Mail, return receipt requested, upon all parties of record who have not filed an e-service agreement with the Commission.

Leave hereby is granted to the parties to file written exceptions supported by a brief with the Executive Secretary of the Commission within fifteen (15) days of the date this Recommended Decision is mailed. If exceptions are filed, the parties filing exceptions shall certify to the Executive Secretary that all parties of record have been served said exceptions.

If no exceptions are so filed this Recommended Decision shall become the order of the Commission, without further action or order, five (5) days following the expiration of the aforesaid fifteen (15) day time period, unless it is ordered stayed or postponed by the Commission.

Any party may request waiver of the right to file exceptions to an Administrative Law Judge's recommended decision by filing an appropriate petition in writing with the Executive Secretary. No such waiver will be effective until approved by order of the Commission, nor shall any such waiver operate to make any Administrative Law Judge's recommended decision the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.



Ronnie Z. McCann
Deputy Chief Administrative Law Judge

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UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF SPENCER
WATER REVENUE BOND, SERIES 2012

No. R-1 **$394,000.00** **Date: September 13, 2012**

KNOW ALL MEN BY THESE PRESENTS: That CITY OF SPENCER, a municipality, public corporation and political subdivision of the State of West Virginia in Roane 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 order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the sum of Three Hundred Ninety-four Thousand and 00/100 Dollars ($394,000.00), or such lesser amount as set forth on the Record of Advances attached as Exhibit A hereto and incorporated herein by reference, plus interest on the unpaid principal balance at the rate of two and 125/1000 percent (2.125%) per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing on the 30th day following delivery of the Bond and continuing on the corresponding day of each month for the first twenty-four (24) months after the date hereof, and $1,261.00 covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of forty (40) years from the date of this Bond, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

SPECIMEN

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Issuer as requested by Issuer and approved by the Government, and interest shall accrue on the amount of each advance from its actual date as shown on the Record of Advances attached hereto and made a part hereof.

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to the principal.

SPECIMEN

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Issuer. Refunds and extra payments, as defined in the regulations of the Rural Utilities Service, according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of Issuer to pay the remaining installments as scheduled herein.

If the Government at any time assigns this Bond and insures the payment thereof, Issuer shall continue to make payments to the Government as collection agent for the holder.

While this Bond is held by an insured lender, prepayments as above authorized made by Issuer may, at the option of the Government, be remitted by the Government to

the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Issuer, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Issuer, and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security herefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Issuer to the Government without demand. Issuer agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

SPECIMEN

The Issuer hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

This Bond is issued (i) to pay a portion of the costs of acquisition, construction and equipping of certain additions, betterments and improvements to the public water facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance hereof and related costs. The water system of the Issuer, together with the Project, and any further extensions, additions, betterments or improvements thereto is 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 of the West Virginia Code of 1931, as amended (the "Act"), and an Ordinance duly enacted by the Issuer and effective September 6, 2012 (the "Ordinance"), and is subject to all the terms and conditions thereof. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bond under the Ordinance.

SPECIMEN

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System, from moneys in the Reserve Account created or continued under the Ordinance for the Bonds (the "Bond Reserve Account") and unexpended proceeds of the Bond, on parity with the Issuer's Waterworks System Bond, Series 1974, Water Revenue Bond, Series 1991, Water Revenue Bond, Series 1993, Water Revenue Bond, Series 1998, Water Revenue Bond, Series 2009, and Water Revenue Bond, Series 2010 (collectively, "Prior Bonds"). Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued

pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Bond Reserve Account and unexpended proceeds of the Bond. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System and to leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount payable in any year for principal of and interest on the Bond and the Prior Bonds, and all other obligations secured by a lien on or payable from such net revenues prior to or on parity with the Bond, provided however, that so long as there exists in the Bond Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bond in the then current or any succeeding year and in the reserve account established for any other obligations outstanding prior to or on parity with the Bond, an amount at least equal to the requirement therefor, such percentage may be reduced to one hundred ten percent (110%).

SPECIMEN

The Issuer has entered into certain further covenants with the registered owner of the Bond for the terms of which reference is made to the Ordinance. Remedies provided the registered owner of the Bond are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of the Issuer, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the herein defined Bond Resolution, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of authorized denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

SPECIMEN

This Bond, under the provisions of the Act, is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may only be transferred by transfer of registration hereof with the Bond Registrar.

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

If at any time it shall appear to the Government that Issuer may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms

for loans for similar purposes and periods of time, Issuer will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government,

This Bond is given as evidence of a loan to Issuer made or insured by the Government pursuant to the Consolidated Farmers Home Rural Development Act, as amended. This Bond shall be subject to the present regulations of the Rural Development Authority and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ON A PARITY AS TO LIEN AND SOURCE OF PAYMENT WITH THE WATERWORKS SYSTEM BOND, SERIES 1974, WATER REVENUE BOND, SERIES 1991, WATER REVENUE BOND, SERIES 1993, WATER REVENUE BOND, SERIES 1998, WATER REVENUE BOND, SERIES 2009, AND WATER REVENUE BOND, SERIES 2010, OF THE ISSUER DESCRIBED IN THE ORDINANCES ADOPTED WITH RESPECT TO EACH SERIES.

SPECIMEN

The initial address of Government for purposes of bond registration is 1550 Earl Core Road, Suite 101, Morgantown, WV 26505.

This Bond will be in default should any proceeds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as set forth in Exhibit M of subpart G of Part 1940 of Title 7 of the Code of Federal Regulations, as amended.

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

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

IN WITNESS WHEREOF, CITY OF SPENCER 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 September 13, 2012.

SPECIMEN

CITY OF SPENCER

[SEAL]

By: _____
Mayor

ATTEST:

_____
Recorder

ASSIGNMENT

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

Dated: _____, 201_.

SPECIMEN

_____
(Assignor)

Witnessed in the presence of:

_____

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) $130,739.06	9/13/12	(6) $	
(2) $		(7) $	
(3) $		(8) $	
(4) $		(9) $	
(5) $		(10) $	
		TOTAL $	

SPECIMEN

CITY OF SPENCER

$765,000 Waterworks Revenue Bond,
Series 1974

BOND ORDINANCE

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CITY OF SPENCER

ORDINANCE AUTHORIZING THE ISSUANCE OF $765,000 WATERWORKS REVENUE BOND, SERIES 1974, OF CITY OF SPENCER ON A PARITY WITH THE 1970 BONDS TO FINANCE CONSTRUCTION OF ADDITIONS TO ITS EXISTING WATERWORKS; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BOND; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES AND SECURITIES OF THE HOLDER OF THE BOND AND FOR A STATUTORY MORTGAGE LIEN UPON THE SYSTEM IN FAVOR OF THE HOLDER OF THE BOND; AND PROVIDING WHEN THIS ORDINANCE SHALL TAKE EFFECT

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

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Ordinance. This Ordinance is enacted pursuant to the provisions of Article 19, Chapter 8 of the West Virginia Code and other applicable provisions of law. The City of Spencer is a municipal corporation of the State of West Virginia and is in Roane County of said State. This Ordinance supplements the 1970 Ordinance.

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

(A) The City now has a public waterworks system.

(B) It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the City, and, accordingly, it is hereby ordered, that there be constructed additions, extensions and improvements to the waterworks system of the City consisting of additional transmission and distribution lines, with all necessary appurtenant facilities (herein called the "Project"), particularly described in and according to the plans and specifications prepared by the Consulting Engineer and heretofore filed in the office of the Recorder.

(C) It is necessary for the City to issue its revenue bond in the principal amount of $765,000 to finance the cost of such construction in the manner hereinafter provided.

(D) The estimated maximum cost of the construction of the Project is $765,000, all which will be obtained from the proceeds of sale of the 1974 Bond herein authorized.

(E) The cost of such construction shall be deemed to include, without being limited to, the construction or acquisition of the Project, the acquisition of any necessary property, real or personal, or interest therein; interest on the 1974 Bond prior to, during and for six months after completion of such construction to the extent that revenues of the System are not sufficient therefor; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; and such other expenses as may be necessary or incidental to the construction of the Project and the financing authorized by this resolution.

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

(G) There are outstanding obligations of the City which will rank on a parity with the 1974 Bond as to lien and source of and security for payment, as follows:

> The outstanding Waterworks Revenue Bonds, Series of 1970, dated on the 1st day of January, 1970, in the principal amount of $1,013,000 (the "1970 Bonds"), authorized by an ordinance of the Council enacted on the 5th day of March, 1970 (the "1970 Ordinance").

(H) The entire principal amount outstanding of the 1970 Bonds is held by Economic Development Administration of the United States Department of Commerce. The said Economic Development Administration has heretofore consented to the issuance of the 1974 Bond as herein authorized

and has been seen and approved a copy of this Ordinance. Farmers Home Administration of the United States Department of Agriculture is expected to purchase the 1974 Bond.

(I) The City has complied with all requirements of West Virginia law relating to authorization of the construction, acquisition and operation of the Project and issuance of the 1974 Bond, or will have so complied prior to issuance of the 1974 Bond.

Section 1.03. Ordinance to Constitute Contract. In consideration of the acceptance of the 1974 Bond by the holder of the same from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the City and such Bondholder, and the covenants and agreements herein set forth to be performed by the City shall be for the equal benefit, protection and security of the legal holder of such 1974 Bond.

Section 1.04. Definitions. The following terms, which were defined substantially as set forth below in Section 1.04 of the 1970 Ordinance, with the changes made to fit the present situation, shall have the same meanings in this Ordinance:

"Act" means Article 19, Chapter 8 of the West Virginia Code.

"Bonds" means the 1970 Bonds and the 1974 Bond and shall also be deemed to include, where appropriate, the interest coupons originally attached to the 1970 Bonds; and also includes any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained in the 1970 Ordinance, and the interest coupons appertaining to said additional parity Bonds.

"1970 Bonds" means the $1,013,000 Waterworks Revenue Bonds, Series of 1970, dated the first day of January, 1970, and, where appropriate, the interest coupons originally attached to such Bonds.

"City" means the City of Spencer, situate in Roane County, West Virginia, and, where appropriate, shall also mean the Council thereof.

"Consulting Engineer" or "Engineer" means Kelley, Gidley, Staub & Blair, Inc., Charleston, West Virginia.

"Fiscal Agent" means the West Virginia State Sinking Fund Commission and any successor.

"Fiscal year" means each year beginning on July 1 and ending on the succeeding June 30.

"Government" means collectively Economic Development Administration of the United States Department of Commerce and Farmers Home Administration of the United States Department of Agriculture, except that with reference only to the 1974 Bond, such term shall mean only Farmers Home Administration.

"Holder of the Bonds" or "Bondholder" or any similar term means any person who shall be the bearer or owner of any outstanding Bond or Bonds registered to bearer or not registered, or the registered owner of any outstanding Bond or Bonds which shall at the time be registered other than to the bearer or the holder of any coupon representing interest accrued or to accrue on any of the Bonds.

"Net Revenues" means the balance of the gross revenues, as defined herein, remaining after deduction only of operating expenses, as defined herein.

"Operating Expenses" means the current expenses, paid or accrued, of operation and maintenance of the System, and includes, without limiting the generality of the foregoing, insurance premiums, salaries, wages, supplies and administrative expenses of the City relating and chargeable solely to the System, the accumulation of appropriate reserves for charges not annually recurrent but which are such as may reasonably be expected to be incurred, and such other reasonable operating costs as are normally and regularly included under recognized accounting practices, but shall not include depreciation.

"Revenues" or "gross revenues" means all rates, rents, fees, charges or other income received by the City, or accrued to the City, or any department, commission, board, agency or instrumentality thereof

in control of the management and operation of the System, from the operation of the System, and all parts thereof, all as calculated in accordance with sound accounting practices.

"System" means the existing waterworks of the City as expanded and improved by the Project, and all additions, extensions, improvements and betterments at any time added thereto, and whether the same be real or personal property.

Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

The following additional terms shall have the following meanings in this Ordinance unless the text otherwise expressly requires:

"1974 Bond" means the Bond hereby authorized to be issued in the principal amount of $765,000.

"Original Purchaser" when used herein means the purchaser, directly from the City, of the 1974 Bond.

"Project" when used herein shall have the meaning stated in Section 1.02(B) above.

"Replacement Reserve" means the Replacement Reserve established by Section 3.02(B)(4) of the 1970 Ordinance and continued hereby.

"Reserve Account" means the Reserve Account established by Section 3.02(B)(3) of the 1970 Ordinance and continued hereby.

"1970 Ordinance" means the Bond Authorizing Ordinance providing for issuance of the 1970 Bonds enacted by the Council of the City March 5, 1970.

Section 1.05. Compliance with 1970 Ordinance. The City has complied and is now in full compliance with all terms and provisions of the 1970 Ordinance.

ARTICLE II

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF 1974 BOND

Section 2.01. Authorization of 1974 Bond. Subject and pursuant to the provisions of this Ordinance, the Bond of the City, to be known as "Waterworks Revenue Bond, Series 1974", is hereby authorized to be issued in the aggregate principal amount of not exceeding Seven Hundred Sixty-Five Thousand Dollars ($765,000) for the purpose of financing the cost of the construction and acquisition of the Project.

Section 2.02. Description of 1974 Bond. The 1974 Bond shall be issued in negotiable form, and shall be dated on the date of delivery, and shall bear interest from date at the rate of five per centum (5%) per annum, and shall be sold for the par value thereof. The number shall be B1.

The 1974 Bond shall be payable as provided in the form set forth in Section 2.07, and shall be subject to prepayment as provided in such form.

Section 2.03. Execution of 1974 Bond. The 1974 Bond shall be executed in the name of the City by the Mayor and its corporate seal affixed thereto and attested by the Recorder. In case any one or more of the officers who shall have signed or sealed the 1974 Bond shall cease to be such officer before the 1974 Bond so signed and sealed shall have been actually sold and delivered, such 1974 Bond may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed the 1974 Bond had not ceased to hold such office.

Section 2.04. Assignment. The 1974 Bond may be assigned in accordance with the provisions of the form hereinafter provided.

Section 2.05. Bond Mutilated, Destroyed, Stolen or Lost. In case the 1974 Bond shall become mutilated or be destroyed, stolen or lost,

the City may in its discretion issue and deliver a new 1974 Bond of like tenor as the 1974 Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated 1974 Bond or in lieu of and substitution for the 1974 Bond destroyed, stolen or lost, and upon the holder's furnishing the City proof of ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the City may require.

Section 2.06. Bond Secured by Pledge of Revenues. The payment of the debt service of the 1974 Bond shall be secured forthwith equally and ratably, and on a parity in all respects with the 1970 Bonds, by a first lien on the net revenues derived from the System in addition to the statutory mortgage lien on the System provided in the 1970 Ordinance. The net revenues derived from the System in an amount sufficient to pay the principal of and interest on the 1970 and 1974 Bonds, and to make the payments into the Sinking Fund and otherwise as herein and in the 1970 Ordinance provided, are hereby irrevocably pledged to the payment of the principal of and interest on the 1974 Bond as the same become due and on a parity with payments of principal of and interest on the 1970 Bonds.

Section 2.07. Form of 1974 Bond. Subject to the provisions of this Ordinance, the text of the 1974 Bond, the provision for assignment to be endorsed thereon, and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted by this Ordinance or any subsequent ordinance or resolution adopted prior to the issuance thereof:

WATERWORKS REVENUE BOND
Series 1974

$765,000
CITY OF SPENCER
No. B1

Date: _____

FOR VALUE RECEIVED, CITY OF SPENCER (herein called "Borrower") promises to pay to the order of the United States of America, acting through the Farmers Home Administration, United States Department of Agriculture (the "Government"), at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of Seven Hundred Sixty-Five Thousand Dollars ($765,000), plus interest on the unpaid principal balance at the rate of five per cent (5%) per annum. The said principal and interest shall be paid in the following installments on the following dates: Installments of interest only on the first day of each month for the first twenty-four months after the date hereof and $3,749, covering principal and interest, thereafter on the first day of each month, except that the final installment shall be paid at the end of forty (40) years from the date of this Bond, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Borrower as requested by Borrower and approved by the Government and interest shall accrue on the amount of each advance from its actual date as shown on the reverse hereof.

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Refunds and extra payments, as defined in the regulations of the Farmers Home Administration according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

If the Government at any time assigns this Bond and insures the payment thereof, Borrower shall continue to make payments to the Government as collection agent for the holder.

While this Bond is held by an insured lender, prepayments as above authorized made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Borrower, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Borrower, and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security herefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Borrower to the Government without demand. Borrower agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

Borrower hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of construction and acquisition of additions, extensions and improvements to the waterworks of the Borrower, is payable solely from the revenues to be derived from the operation of such waterworks after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the waterworks. This Bond does not in any manner constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provision or limitation.

The Bonds of the issue and series of which this Bond is one are on a parity with the Waterworks Revenue Bonds, Series of 1970, of the Borrower issued in the aggregate principal amount of $1,015,000 and dated the 1st day of January, 1970 (herein called the "1970 Bond") pursuant to an ordinance of the Borrower enacted March 5, 1970. Consent of the holder of the 1970 Bonds has been given for the issuance of the Series 1974 Bond on a parity with the 1970 Bonds.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Article 19 of Chapter 8 of the West Virginia Code (the "Act").

If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, at the Government's request, apply for

and accept such loan in sufficient amount to repay the Government.

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farm and Rural Development Act. This Bond shall be subject to the present regulations of the Farmers Home Administration and to its future regulations not inconsistent with the express provisions hereof.

CITY OF SPENCER
(Name of Borrower)

[CORPORATE SEAL]

ATTEST:

(Signature of Executive Official)

Mayor
(Title of Executive Official)

(Signature of Attesting Official)

Court Street
(Post Office Box No. or Street Address)

Recorder
(Title of Attesting Official)

Spencer, West Virginia 25276
(City, State and Zip Code)

ASSIGNMENT

For value received, this Bond is assigned to:

Date: _____

Payee

ARTICLE III

1974 BOND PROCEEDS: REVENUES AND APPLICATION THEREOF

Section 3.01. 1974 Bond Proceeds; Project Construction Account. All moneys received from the sale of the 1974 Bond shall be deposited on receipt by the City in The First National Bank of Spencer, Spencer, West Virginia, a member of Federal Deposit Insurance Corporation (herein called "FDIC"), in a special account heretofore created and designated as "City of Spencer 1974 Construction Account" (herein called the "Project Construction Account"). The moneys in the Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by such bank by securities or in a manner lawful for the securing of deposits of State and municipal funds under West Virginia law. Moneys in the Project Construction Account shall be expended by the City solely for the purposes provided in this Ordinance.

Until completion of construction of the Project, the City will transfer from the Project Construction Account and deposit in the Sinking Fund, not later than fifteen days prior to the next interest payment date, such sums as shall be from time to time required to pay the interest becoming due on the 1974 Bond on such interest payment date if moneys in the Sinking Fund are insufficient for such purpose.

If the City shall determine at any time that all funds on deposit in the Project Construction Account exceed the estimated disbursements on account of the Project for the ensuing 90 days, the City may invest such excess funds in direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America, which shall mature not later than eighteen months after the date of such investment, All such investments and the income therefrom shall be carried to the credit of the Project Construction Account.

When construction of the Project has been completed and all costs thereof have been paid or provision for such payment has been

made, any balance remaining in the Project Construction Account shall be promptly used to prepay the 1974 Bond and any residue shall be deposited in the Sinking Fund.

Section 3.02. Covenants of the City as to Revenues and Funds. So long as the 1974 Bond shall be outstanding and unpaid, or until there shall have been set apart in the Sinking Fund and the Reserve Account established by the 1970 Ordinance a sum sufficient to pay, when due or at the earliest practical redemption date, the entire principal of the 1970 Bonds and the 1974 Bond remaining unpaid together with interest accrued and to accrue thereon, the City further covenants with the holder of the 1974 Bond as follows:

(A) Revenue Fund. The entire gross revenues derived from the operation of the System, and all parts thereof, and all tap fees received, shall be deposited as collected by the City in the Revenue Fund established by the 1970 Ordinance, and the Revenue Fund shall constitute a trust fund for the purposes provided in this Ordinance and the 1970 Ordinance and shall be kept separate and distinct from all other funds of the City and used only for the purposes and in the manner provided in this Ordinance.

(B) Disposition of Revenues. The City shall first, each month, pay from the moneys in the Revenue Fund all current Operating Expenses of the System and shall then dispose of moneys in the Revenue Fund only in the following order and priority:

(1) The City shall first each month pay from the moneys in the Revenue Fund and transmit to the place designated in the 1974 Bond (the National Finance Office or other place designated by the Government) one-sixth of the amount required to pay the interest becoming due on the 1974 Bond on the next interest payment date and one-twelfth of the amount of principal maturing on the next principal payment date, in addition to making the necessary transfers of moneys to the State Sinking Fund Commission for payment of principal of and interest on the 1970 Bonds.

(2) The City shall next, each month, transfer from the Revenue Fund and deposit in the Reserve Account established by the 1970 Ordinance, in addition to the deposit on account of the 1970 Bonds, such additional sum as shall be needed proportionately on account of the 1974 Bond to accrue and maintain the moneys in the Reserve Account pro rata for the Bonds.

(3) The City shall next, each month, transfer from the Revenue Fund and deposit in the Replacement Reserve established by the 1970 Ordinance moneys remaining in the Revenue Fund and not permitted to be retained therein until there has been accumulated therein the aggregate sum of $189,00 and thereafter such sums as shall be required to maintain such amount therein.

(4) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, any moneys remaining therein and not permitted to be retained therein may be used to prepay installments of or to redeem the 1970 and 1974 Bonds on a pro rata basis as nearly as feasible or for any lawful purpose.

ARTICLE IV

GENERAL COVENANTS

Section 4.01. General Statement. So long as any of the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Sinking Fund and the Reserve Account therein a sum sufficient to pay when due, or redeem or purchase prior to maturity, the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon and any applicable redemption premiums, the covenants and agreements contained herein and in the 1970 Ordinance shall be and constitute valid and legally binding covenants between the City and the Bondholders.

Section 4.02. Concerning Arbitrage. It is not reasonably expected that the proceeds of sale of the 1974 Bond will be invested in such a way as to violate the operating rules in the regulations of the Internal Revenue Service or of the Treasury Department of the United States of America in connection with the arbitrage provisions of Section 103(d) of the Internal Revenue Code of 1954, as amended.

Section 4.03. Sale of the System. The System may be sold, mortgaged, leased or otherwise disposed of only with written consent of the Government, and such consent will specify the disposition of any such sale or transfer.

ARTICLE V

RATES, ETC.

Section 5.01. Rates and Charges. The schedule of rates and charges for the services and facilities of the System, heretofore approved by the Public Service Commission of West Virginia in connection with issuance of the 1970 Bonds, is continued in effect.

ARTICLE VI

MISCELLANEOUS

Section 6.01. Filing Under Uniform Commercial Code. Contemporaneously with the delivery of the 1974 Bond, the City shall execute Financing Statements meeting the requirements of the Uniform Commercial Code of West Virginia and promptly thereafter shall file such a Financing Statement in the offices of the Secretary of State of the State of West Virginia and of the Clerk of the County Court of said County.

Section 6.02. Modification or Amendment. No material modification or amendment of this Ordinance, or of any ordinance amendatory hereof or supplemental hereto, may be made without the consent in writing of the holders of two-thirds or more in principal amount of the Bonds then outstanding; provided, however, that no modification or amendment shall permit a change in the maturity of any of the Bonds or a reduction in the rate of interest thereon, or in the amount of the principal obligation, or affecting the unconditional promise of the District to pay the principal of and interest on the Bonds as the same shall become due from the revenues of the System, without the consent of the holders of such Bonds. Notwithstanding the above, no amendment or modification shall be made which would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications.

Section 6.03. Delivery of 1974 Bond. The Mayor and the Recorder are hereby authorized and directed to cause the 1974 Bond, hereby awarded to Farmers Home Administration pursuant to agreement, to be delivered to Farmers Home Administration as soon as it will accept such delivery and pay for the 1974 Bond.

Section 6.04. Severability of Invalid Provision. If any one or more of the covenants, agreements or provisions of this Ordinance should be held contrary to any express provision of law or contrary to

the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions, and shall in no way affect the validity of all the other provisions of this Ordinance or the 1974 Bond.

Section 6.05. Conflicting Provisions Repealed. All ordinances, resolutions and orders, or parts thereof, in conflict with the provisions of this Ordinance, are, to the extent of such conflicts, hereby repealed, including expressly the 1970 Ordinance to the extent of any such conflicts, but expressly excluding the 1970 Bond as issued.

Section 6.06. Table of Contents and Headings. The Table of Contents and headings of the Articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 6.07. Notice, Hearing and Effective Time. Upon enactment hereof, an abstract of this Ordinance determined by the Council to contain sufficient information to give notice of the contents of this Ordinance, shall be published once a week for two successive weeks within a period of fourteen consecutive days, with at least six full days intervening between each publication, in Roane County Reporter, a newspaper published and of general circulation in the City, publication of which abstract of this Ordinance shall be together with a notice stating that this Ordinance has been enacted and that a certified copy of this Ordinance is on file with the Council in the office of the Recorder for review by interested persons during office hours of the Recorder, and that the City contemplates the issuance of the 1974 Bonds, and that any person interested may appear before the Council upon a date certain, not less than ten days subsequent to the date of the second publication of the

said abstract and notice, and present protests. At such hearing, all objections and suggestions shall be heard, and the Council shall take such action as it shall deem proper in the premises.

This Ordinance shall take effect following public hearing hereon and second passage hereof.

Passed on First Reading: _____, 1974

Passed on Second Reading Following Public Hearing on: _____, 1974.

_____
Mayor

_____
Recorder

CITY OF SPENCER, WEST VIRGINIA

ORDINANCE AUTHORIZING THE ISSUANCE OF $365,000 TAXABLE WATER REVENUE BOND, SERIES 1991, OF THE CITY OF SPENCER TO FINANCE THE COSTS OF CONSTRUCTION OF BETTERMENTS AND IMPROVEMENTS TO ITS WATERWORKS OF THE CITY BY CONSTRUCTION OF IMPROVEMENTS TO THE WATER SYSTEM AND OTHER MATTERS; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BOND; PROVIDING FOR THE FIXING, ESTABLISHING AND COLLECTING OF RATES AND CHARGES FOR THE SERVICES AND FACILITIES OF THE WATERWORKS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES AND SECURITIES OF THE HOLDERS OF THE BOND AND FOR A STATUTORY MORTGAGE LIEN UPON THE WATERWORKS SYSTEM AND REVENUES; PROVIDING COVENANTS AND PROVIDING WHEN THIS ORDINANCE SHALL TAKE EFFECT.

Ref: Wedge - Jones

BE IT ORDAINED AND ENACTED BY THE COUNCIL OF THE CITY OF SPENCER, WEST VIRGINIA:

ARTICLE I

STATUTORY AUTHORITY,
FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Ordinance. This Ordinance is enacted pursuant to the provisions of Chapter 8, Article 19 of the West Virginia Code and other applicable provisions of law.

Section 1.02. Findings and Determinations. It hereby found, determined and declared as follows:

(A) The City of Spencer (herein called the "City"), in the County of Roane, State of West Virginia, now owns a public waterworks, but the waterworks are inadequate and the inhabitants of the City and adjacent areas and customers of the waterworks urgently need additional water and improvements to the facilities as herein provided.

(B) The City had previously had a study done by Boyles & Hildreth, Consulting Engineers, of Spencer, West Virginia (herein called the "Consulting Engineer"), which also reported the need to upgrade the water system.

(C) It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the said inhabitants and customers, and, accordingly, it is hereby ordered, that there be constructed additions, betterments and improvements to the waterworks of the City both within and outside the City which are described in the Engineering Report of the Consulting Engineer including additional distribution lines, booster station, 100,000 gallon storage tank (hereinafter collectively called the

"Project"), and heretofore filed in the office of the Recorder which report is incorporated herein by reference;

(D) It is necessary for the City to issue its revenue bonds in the principal amounts of $365,000 to finance part of the cost of construction of the Project in the manner hereinafter provided;

(E) The estimated maximum cost of the construction of the Project is $1,465,000, of which it is estimated that $365,000 will be obtained from the proceeds of sale of the Bond herein authorized and other funds from a $350,000 grant by Farmers Home Administration and a Small Cities Block Grant of $750,000;

(F) The cost of such construction shall be deemed to include, without being limited to, the construction and acquisition of the Project; the acquisition of any necessary property, real or personal, or interest therein; costs of interim construction financing; interest on the 1991 Bond during and after the estimated completion of such construction to the extent that revenues of the System are not sufficient therefore; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; and such other expenses as may be necessary of incidental to the construction and acquisition of the Project and the financing authorized hereby;

(G) The period of usefulness of the System after completion of the Project is not less than forty years; and

(H) There are the following water bonds outstanding: (a) the Waterworks Revenue Bonds Series 1970 dated as of the 1st day of January 1970 in the principal amount of $1,013,000 (the "1970 Bonds") authorized by ordinance enacted on March 7, 1970; and (b) the Waterworks System Bond of the City, dated as of the 30th day of September, 1974 in the aggregate principal amount of $765,000 (herein called the "1974 Bond"). The 1991 Bond hereby authorized will be on a parity with the 1970 Bonds and 1974 Bond as to lien and source of and security for payment.

Section 1.03. Ordinance to Constitute Contract. In consideration of the acceptance of the Bond authorized to be issued hereunder by those who shall hold the same from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the City and such Bondholders, and the covenants and agreements herein set forth to be performed by the City shall be for the equal benefit, protection and security of the legal holders of any and all such Bond, all which shall be of equal rank without preference, priority or distinction of any of the Bond over any other thereof, except as expressly provided therein and herein.

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

"Act" means Article 19, Chapter 8, of the West Virginia Code and any amendments thereto.

"Bond" or "1991 Bond" means the $365,000 Water Revenue Bond, Series 1991, originally authorized to be issued pursuant to this Ordinance and also includes any additional Bond hereafter issued on a parity with the 1991 Bond within the terms, restrictions and conditions contained in this Ordinance.

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

"City" or "Issuer" means the City of Spencer, in Roane County, West Virginia, and, where appropriate, also means the Common Council thereof and any department, board, agency or instrumentality thereof in control of the management and operation of the System.

"Depository Bank" means any bank its successors and assigns designated as such by the City which designation can be changed by the City.

"Facilities" means all the facilities of the System as expanded by the Project and also any facilities which may hereafter be added to the System by any additions, betterments, extensions and improvements thereto and properties, furniture, fixtures or equipment therefor, hereafter at any time constructed or acquired.

"FDIC" means the Federal Deposit Insurance Corporation.

"Fiscal Year" means each year beginning on July 1 and ending on the succeeding June 30.

"FmHA", "Government", "Purchaser" or "Farmers Home Administration" means United States Department of Agriculture, Farmers Home Administration, and any successor thereof.

"Governing Body" mens the City Council of the Issuer.

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

"Herein" means in this Ordinance.

"Holder of the Bond" or "Bondholder" or any similar term means any person who shall be the bearer or owner of any

outstanding Bond or Bond registered to bearer or not registered, or the registered owner of any outstanding Bond or Bond which shall at the time be registered other than to the bearer, or of any coupons representing interest accrued or to accrue on said Bond.

"Mayor" means the Mayor of the City.

"Net Revenues" means the balance of the gross revenues, as defined below, remaining after deduction only of operating expenses, as defined below.

"Operating Expenses" means the current expenses, paid or accrued, of operation and maintenance of the System and its facilities, and includes, without limiting the generality of the foregoing, insurance premiums, salaries, wages and administrative expenses of the City relating and chargeable solely to the System, the accumulation of appropriate reserves for charges not annually recurrent but which are such as may reasonably be expected to be incurred, and such other reasonable operating costs as are normally and regularly included under recognized accounting practices.

"1970 Bonds" means the $1,013,000 Waterworks Revenue Bonds issued pursuant to the 1970 Ordinance.

"1970 Ordinance" means the Ordinance enacted by the City on March 7, 1970 authorizing the 1970 Bonds.

"1974 Bond" means the $765,000 Bond issued pursuant to the 1974 Ordinance.

"1974 Ordinance" means the Ordinance enacted by the City on September 30, 1974, authorizing issuance of the 1974 Bond, hereinabove defined, in the original aggregate principal amount of $265,000.

"Original Purchaser" means the purchaser, directly from the City, of any series of Bond issued pursuant hereto, or any part of any such series.

"Project" shall have the meaning stated above in Section 1.02(C).

"Qualified Investments" means and include 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 evidence of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;

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

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

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

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

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

(i) Obligations of states or political subdivisions or agencies thereof, the interest on which is excluded from gross income for federal income tax purposes, and which are rated at least "A" by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

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

"Registrar" or "Bond Registrar" means the Issuer.

"Reserve Requirement" means the maximum annual aggregate amount of interest and principal which will fall due on the Bond outstanding.

"Revenues" or "gross revenues" means all rates, rents, fees, charges or other income received by the City, or accrued to the City, or any department, board, agency or instrumentality thereof in control of the management and operation of the System, from the operation of the System, and all parts thereof, all as calculated in accordance with sound accounting practices.

"System or Waterworks System" means the waterworks system in its entirety or any integral part thereof, including mains, hydrants, meters, valves, standpipes, storage tanks, pump tanks, pumping stations, intakes, wells, impounding reservoirs, pumps, machinery, purification plants, softening apparatus and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to a water supply system owned by the City, including all water facilities now owned by the City and as expanded and improved by the Project, and all facilities and other property of every nature, real or personal, now or hereafter owned by the City and held or used in connection with the waterworks; and shall also include any and all additions, extensions, improvements, properties or other facilities at any time acquired or constructed for the System after completion of the Project and owned by the City.

Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

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 $1,465,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the Office of the Governing Body and the Mayor and/or his

designee is authorized to execute the Bond and all other documents necessary to complete the Project and financing of the Project.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BOND

Section 3.01. Authorization of 1991 Bond. Subject and pursuant to the provisions hereof, the Bond of the City, to be known as "Water Revenue Bond, Series 1991" is hereby authorized to be issued in the aggregate principal amount of Three Hundred Sixty Five Thousand Dollars ($365,000) for the purpose of financing the cost of the construction and acquisition of the Project.

Section 3.02. Description of 1991 Bond.

The Bond. The Series 1991 Bond shall be issued in registered negotiable form, No. R-1, without coupons, and shall be dated on the date of delivery thereof. The Bond shall bear interest from date at the rate not to exceed 7.00% per annum or such lower rate as FmHA will make available at closing. The minimum price for the Bond shall be the par value thereof.

Prepayment of principal of the Bond may be made at any time without penalty and the Bond shall be payable in amounts and at the place or places as provided in the Bond form hereinafter set forth.

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

Section 3.04. Negotiability, Registration, Transfer and Exchange of Bond. The Bond shall be and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, but the Bond may only be transferred by transfer of the registration thereof upon the books required to be kept pursuant to Section 3.05 hereof, by the party in whose name it is registered, in person or by attorney duly

authorized in writing, upon surrender of the Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Registrar.

Whenever the Bond shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond in authorized denominations, for a like aggregate principal amount. The Registrar shall require the payment by the Bondholder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, but the Issuer shall pay any other expenses incurred by the Registrar with respect to such transfer.

No registration of transfer of the Bond shall be permitted to be made after the 15th day next preceding any installment payment date on the Bond.

Section 3.05. Registrar. The Issuer will keep or cause to be kept at its office, sufficient books for the registration and transfer of the Bond, and, upon presentation for such purpose, the Registrar shall, under such reasonable regulations as it may prescribe, register the Bond initially issued pursuant hereto and register the transfer, or cause to be registered, on such books, the transfer of the Bond as hereinbefore provided.

The Registrar shall accept the Bond for registration or transfer only if ownership thereof is to be registered in the name of an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust, and the federal employer identification number and date of each trust and the name of the trustee of each trust.

Section 3.06. Bond Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the City may, in its discretion, issue and deliver a new Bond attached of like tenor as the Bond, if any, so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, if any, or in lieu of and substitution for the Bond, if any, destroyed, stolen or lost, and upon the holder's furnishing the City proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the City may require. All Bond so surrendered shall be canceled and held for the account of the City. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the City may pay the same, upon being indemnified as aforesaid, and, if such Bond be destroyed, stolen or lost, without surrender thereof.

Any such duplicate Bond issued pursuant to this Section shall constitute original, additional contractual obligations on the part of the City, whether or not the destroyed, stolen or lost Bond be at any time found by anyone, and such duplicate Bond shall be entitled to equal and proportionate benefits with all other Bond issued hereunder.

Section 3.07. Bond Secured by Pledge and Lien of Revenues. The payment of the debt service of the Bond shall be secured by a lien on the revenues derived from the System in addition to the statutory mortgage lien on the System hereinafter provided for. The revenues derived from the System in an amount sufficient to pay the principal of and interest on the Bond, and to make the payments into the Sinking Fund and otherwise as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Bond as the same become due as herein provided.

Section 3.08. Parity with 1970 and 1974 Bonds. The statutory lien on the revenues of the System and the System the pledge of such revenues provided and stated in Section 3.07 above in favor of the Bond are on a parity with the lien thereon and pledge thereof in favor of the 1970 and 1974 Bonds.

Section 3.09. Form of 1991 Bond. Subject to the provisions hereof, the text of the 1991 Bond and the details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted by this Ordinance or any subsequent ordinance or resolution enacted or adopted prior to the issuance thereof:

(Form of Bond)
THE CITY OF SPENCER, WEST VIRGINIA
TAXABLE WATER REVENUE BOND
SERIES 1991

No. R-1 $365,000

Date: _____, 1991

FOR VALUE RECEIVED, THE CITY OF SPENCER, in the County of Roane, State of West Virginia, a municipal corporation (herein called "Issuer") promises to pay to the order of the United States of America, acting through the Farmers Home Administration, United States Department of Agriculture (herein called the "Government") at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of Three Hundred Sixty Five Thousand Dollars ($365,000), plus interest on the unpaid principal balance at the rate of _____ percent per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only commencing on the 30th day following delivery of the Bond and continuing on the corresponding day of each month for the first Twenty-four (24) months after the date hereof and $_____ covering principal and interest on said corresponding day of each month thereafter, except that the final installment shall be paid at the end of forty (40) years from the date of this Bond, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Issuer as requested by Issuer and approved by the Government and interest shall accrue on the amount of each advance from its actual date as shown on the reverse hereof.

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Issuer. Refunds and extra payments, as defined in the regulations of the Farmers Home Administration according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of Issuer to pay the remaining installments as scheduled herein.

If the Government at any time assigns this Bond and insures the payment thereof, Issuer shall continue to make payments to the Government as collection agent for the holder.

While this Bond is held by an insured lender, prepayments as above authorized made by Issuer may, at the option of the Government, be remitted by the Government and remitted to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Issuer, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by the Issuer, and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security herefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Issuer to the Government without demand. Issuer agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

Issuer hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purposes of providing funds for financing costs of construction and acquisition of additions for the waterworks system of the Issuer, is payable solely from the revenues to be derived from the operation of such waterworks system after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the waterworks system. This Bond does not in any manner constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at said office of the Registrar, as defined in the Ordinance, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Ordinance, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bond, or authorized denomination

or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

This Bond, under the provisions of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may only be transferred by transfer of registration hereof with the Registrar.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including among others, Article 19 of Chapter 8 of the West Virginia Code (herein called the "Act"), and with an Ordinance of the City duly enacted.

This Bond is given as evidence of a loan to Issuer made or insured by the Government pursuant to the Consolidated Farmer and Rural Development Act. This Bond shall be subject to the present regulations of the Farmers Home Administration and to its future regulations not consistent with the express provisions hereof.

THIS BOND IS ON A PARITY WITH BOTH THE SERIES 1970 AND 1974 WATER REVENUE BONDS OF THE CITY AS TO THE STATUTORY LIEN AND SOURCE OF ANY SECURITY FOR PAYMENT.

The initial address of Government for purposes of bond registration is P.O. Box 678, Morgantown, West Virginia 26505.

IN WITNESS WHEREOF, The City of Spencer has caused this Bond to be executed by its Mayor and its corporate seal to be affixed and attested by its Recorder all as of the date hereinabove written.

[CORPORATE SEAL]

THE CITY OF SPENCER, WEST VIRGINIA
(Name of Issuer)

_____
(Signature of Executive Official)

MAYOR
(Title of Executive Official)

ATTEST:

_____
(Signature of Attesting Official)

207 Court Street
(Post Office Box No./Street Address)

RECORDER
(Title of Attesting Official)

Spencer, West Virginia 25276
(City, State and Zip Code)

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) $		(6) $	
(2) $		(7) $	
(3) $		(8) $	
(4) $		(9) $	
(5) $		(10) $	

TOTAL $_____

(Form of Assignment)

ASSIGNMENT

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

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

DATED: _____.

In the presence of:

_____

_____

(No writing on this Bond except by the Registrar)

Date of Registration	In Whose Name Registered	Signature of Registrar

ARTICLE IV

1991 BOND PROCEEDS; REVENUES
AND APPLICATION THEREOF

Section 4.01. 1991 Bond Proceeds; Project Construction Account. All moneys received from the sale of any or all the 1991 Bond shall be deposited on receipt by the City in the First National Bank, Spencer, West Virginia, a member of Federal Deposit Insurance Corporation (FDIC), in a special account hereby now established and designated as "City of Spencer 1991 $365,000 Waterworks Construction Account" (herein called the "Project Construction Account.") The moneys in the Project Construction Accounts in excess of the amount insured by FDIC shall be secured at all times by such bank by securities or in a manner lawful for the securing of deposits of State and municipal funds under West Virginia law. Moneys in the Project Construction Account shall be expended by the City solely for the purposes provided herein.

Until completion of the construction of the Project, the Issuer will transfer from the Project Construction Account and pay to the Purchaser on or before the fifteenth day of each month, such sums as shall be from time to time required to make the monthly installment payments on the Bond if there are not sufficient Net Revenues to make such monthly payment.

If the City shall determine at any time that all funds on deposit in the Project Construction Account exceed the estimated disbursements on account of the Project for the ensuing 90 days, the City may invest such excess funds in Qualified Investment, which shall mature not later than eighteen months after the date of such investment. All such investments and the income therefrom shall be carried to the credit of the Project Construction Account.

Pending application as provided in this Section, money and funds in the Project Construction Account shall be invested and reinvested at the direction of the Issuer, to the extent possible in accordance with applicable law, in Qualified Investments.

When construction of the Project has been completed and all Costs thereof have been paid or provision for such payment has been made, any balance remaining in either of the Project Construction Accounts shall be promptly transmitted to the Municipal Bond Commission (the "Bond Commission") with directions that such funds be used immediately to redeem or prepay 1991 Bond from which construction account the funds derived.

Section 4.02. Covenants as to Revenues and Funds. So long as the Bond shall be outstanding and unpaid, or until there shall have been set apart in the 1991 Sinking Funds and the 1991 Reserve Accounts therein, hereinafter established, a sum sufficient to pay, when due or at the earliest practical redemption date, the entire

principal of the Bond remaining unpaid together with interest accrued and to accrue thereon, the City further covenants with the holders of any and all Bond issued pursuant hereto as follows:

(A) Revenue Fund. The entire gross revenues derived from the operation of the System, and all parts thereof, and all tap fees received, except as otherwise provided herein, shall be deposited as collected by the City in a special fund known as the "Revenue Fund" established by the 1970 Ordinance, and continued by this Ordinance, in a bank or trust company in the State of West Virginia which is a member of FDIC. The Revenue Fund shall constitute a trust fund for the purposes provided herein and shall be kept separate and distinct from all other funds of the City and used only for the purposes and in the manner provided herein.

(B) Disposition of Revenues. All revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority:

(1) The City shall first each month pay from the moneys in the Revenue Fund all current operating expenses.

(2) So long as any of the 1970, 1974 and 1991 Bonds remain outstanding and unpaid or until provision for payment of the 1970, 1974 and 1991 Bonds and the interest thereon and any applicable redemption premiums has been made in full by deposit of the necessary funds with the Bond Commission or Depository Bank as the case may be, the City shall on a parity basis first, each month, remit to the Bond Commission or other payee, or for any bond owned by the United States of America or any agency or department thereof directly to the United States of America or said agency or department, the sums required to provide for payment of principal of and interest on the 1970, 1974 and 1991 Bonds and any required reserves as herein provided and provided in the 1970 and 1974 Ordinances.

(3) The City shall next, before the end of each month, transfer for deposit into the "1991 Sinking Fund $365,000 Series 1991 Bond" hereby established with the Bond Commission and to be effective if the holder of the Bond is not FmHA or any agency or department of the United States of America the amounts required to pay the monthly principal and interest payments on the 1991 Bond so as to amortize the principal of the Bond over the life of the Bond issue.

(4) The City will also remit to the Bond Commission or Depository Bank, as the case may be, from time to time, such amounts as shall be required to pay the fiscal charges due to paying agents for paying the 1970, 1974 and 1991 Bond and the interest and principal thereon.

(5) The City shall next, each month, transfer from the Depreciation Fund or the Revenue Fund, as the case may be, and remit to the Bond Commission or Depository Bank, as the case may be:

(a) For deposit on a pro rata basis into the Reserve Account, established in the 1970 Ordinance, the amounts required by the 1970 and 1974 Ordinances and for the 1991 Bonds into a new reserve account, one-twelfth (1/12) of one-tenth (1/10) of the amount, as of the date of calculation, of interest and principal which will fall due on the 1991 Bonds in any year until the amount in the Reserve Account equals such maximum amount.

(b) After such amounts have been accumulated in the Reserve Accounts, the City shall monthly remit to the Bond Commission such part of the moneys remaining in the Depreciation Fund or the Revenue Fund, as the case may be, after such provision for payment of maturing principal of and interest on all outstanding Bonds, as shall be required to maintain such amounts in the Reserve Accounts.

(c) Moneys in the existing Reserve Account shall be used solely to make up any deficiency in the Sinking Funds for payment of the principal of and interest pro rata on all outstanding 1970 and 1974 Bonds and moneys in the 1991 Reserve Account shall be used to make up any deficiency for payment on the 1991 Bonds as the same shall mature or for mandatory redemption of Bonds as hereinafter provided and for no other purpose.

(6) The City shall next, each month, transfer from the Revenue Fund and deposit in the Replacement Reserve established by the 1970 Ordinance moneys remaining in the Revenue Fund and not permitted to be retained therein until the sum specified by the 1974 Ordinance has been accumulated and thereafter the sums required to maintain such reserve.

(7) After all the foregoing provisions for use of moneys in the Depreciation Fund or the Revenue Fund, as the case may be, have been fully complied with, any moneys remaining therein may be used to redeem any 1970, 1974 or 1991 Bonds outstanding on a pro rata basis as nearly as feasible or for any lawful purpose in connection with the System and the Bond Commission may be designated by the City to handle redemption of Bond upon instructions of the City.

Whenever the moneys in the Sinking Fund and in the Reserve Account therein shall be sufficient to purchase or redeem all Bonds outstanding for that particular issue, it shall be the mandatory duty of the City, anything to the contrary in this Ordinance notwithstanding, to direct the Bond Commission to purchase or redeem all outstanding 1991 Bond at the earliest practical date and in accordance with applicable provisions hereof,

any such purchase to be at a price or prices not exceeding the then market price of Bond so purchased, but in no event exceeding the then redemption price of the Bond, as to Bond subject to redemption, and not exceeding the par value of Bond not subject to redemption but available for purchase.

All the funds provided for in this Section shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the Bondholders shall have a lien thereon for further securing payment of the Bond and the interest thereon. The moneys is excess of the sum insured by FDIC in the Revenue Fund and the Depreciation Fund shall at all times be secured, to the full extent thereof in excess of such insured sum, in a manner lawful for securing deposits of State and municipal funds under the laws of the State of West Virginia.

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

The Bond Commission or a Depository Bank as the case may be, at the direction of the Issuer, shall keep the moneys in the Reserve Fund and/or Depreciation Account invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities consonant with the required use thereof. Investments in any fund or account under this Bond Legislation shall, unless otherwise provided herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia State Board of Investments. 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 interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund.

(C) Change of Depository Agent and Fiscal Agent. The Issuer may designate the Municipal Bond Commission or another bank or trust company insured by FDIC as Fiscal Agent and Depository Bank if the Bank should cease for any reason to serve or if the Governing Body determines by resolution that said Bank or its successor should no longer serve as Fiscal Agent or Depository Bank. Upon any such change, the Governing Body will cause notice of the change to be sent by registered or certified mail to the Purchaser.

(D) User Contracts. The Issuer shall, prior to delivery of the Bond, provide evidence that there will be 167 bona fide users initially upon the System, and must obtain user agreements and the user contribution, if any, from each new user and deposit in the Water Project Construction Account all such user contributions collected.

(E) Charges and Fees. The Issuer shall remit from the Revenue Fund to the Depository Bank such additional sums as shall be necessary to pay the charges and fees of the Depository Bank then due.

(F) Investment of Excess Balances. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in any of such funds or accounts shall at all times be secured, to the full extent thereof in excess of such insured sum, in a lawful manner for securing deposits of state and municipal funds under the laws of the State.

(G) Remittances. All remittances made by the Issuer to the Depository Bank shall clearly identify the fund or account into which each amount is to be deposited.

(H) Gross Revenues. The Gross Revenues of the System shall only be used for purposes of the System.

ARTICLE V

GENERAL COVENANTS

Section 5.01. General Statement. So long as the Bond shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund a sum sufficient to prepay the entire principal of the Board remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants agreements contained herein shall be and constitute valid and legally binding covenants between the City and the Bondholder.

Section 5.02. Rates. The City will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide revenues in each fiscal year sufficient to produce net revenues equal to not less than 110% of the average annual debt service on the 1991 Bond and to make the payments required herein to be made for payment of the 1970 and 1974 Bonds and the interest thereon and into the Reserve Account and the Depreciation Fund, and such rates, fees and other charges shall not be reduced so as to be insufficient to provide adequate revenues for such purposes.

Section 5.03. Sale of the System. The System may not be sold, mortgaged, leased or otherwise disposed of without the prior

written consent of the Government or holder of the Bond. Such consent will specify the use of the proceeds of any such disposition.

Section 5.04. Covenant Against Encumbrances. The City will not issue any obligations whatsoever, except additional parity Bond hereinafter provided for, 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 Bond; and all obligations hereafter issued by the City payable from the revenues of the System.

Section 5.05. Issuance of Additional Parity Bond. No additional parity Bond, as in this Section defined, payable out of the revenues of the System, shall be issued after the issuance of any Bond pursuant hereto, except under the conditions and in the manner herein provided.

(A) No such additional parity Bond shall be issued except for the purposes of financing the costs of the construction or acquisition of extensions, additions and improvements to the System or refunding Bond issued hereunder, except as provided in subsection (F) of this Section.

(B) No such additional parity Bond shall be issued at any time, however, unless and until there has been procured and filed with the Recorder a written certification by a certified public accountant not in the regular employ of the City based upon the necessary investigation, reciting the conclusion that the net revenues, as defined herein, actually derived from the System during the fiscal year immediately preceding the date of the issuance of such additional parity Bond, shall have been not less than one hundred twenty per centum (120%) of the average aggregate amount which will mature or become due in any succeeding fiscal year for principal of and interest on the Bond then outstanding and on the additional parity Bond then proposed to be issued. This limitation may be waived or modified by the written consent of Bondholders representing 75% of each Series of the then outstanding 1991 Bond and the Government as initial purchaser of 1991 Bond.

(C) The term "additional parity Bond", as used in this Section, shall be deemed to mean additional Bond issued under the provisions and within the limitations of this Section, payable from the revenues of the System on a parity with the 1991 Bond, and all the covenants and other provisions of this Ordinance (except as to details of such additional parity Bond inconsistent herewith) shall be for the equal benefit, protection and security of the holders of any Bond issued pursuant to this Ordinance and the holders of any additional Bond subsequently issued within the limitations of and in compliance with this Section. All such Bond, 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 or coupon over any other. The City shall comply fully with all the increased payments into the various funds created herein required for such additional parity Bond, in addition to the payments required for Bond originally issued hereunder. Redemption of Bond prior to maturity in the event that the 1991 Bond and additional parity Bond hereby authorized are outstanding, shall as nearly as practical be on an equal pro rata basis reflecting the original amounts of each issue.

(D) All additional parity Bond issued pursuant to this Section shall mature on such dates as the City so desires.

(E) No additional parity Bond shall be issued at any time unless all the payments into the respective Funds provided for herein on Bond then outstanding and all other payments provided for herein shall have been made or paid up as required to the date of issuance of the additional parity Bond and the City shall have fully complied with all the covenants, agreements and terms hereof or shall have remedied any deficiency in such compliance.

(F) With the written consent in advance of the original purchaser of the 1991 Bond and of Farmers Home Administration and anything to the contrary in subsections (A) through (D) of this Section notwithstanding, additional parity Bond may be authorized and issued by the City pursuant to supplemental ordinance in the event that the 1991 Bond should be insufficient, together with other funds lawfully available therefor, to pay all costs of construction of the Project. Any such additional parity Bond authorized and issued under the provisions of this subsection shall be limited to the aggregate principal amount required to make up any deficiency in funds for payment of such construction costs, and the maturities of any such additional parity Bond shall be in years and amounts suggested by said original purchaser and Farmers Home Administration.

Section 5.06. Insurance and Bond. The City hereby covenants and agrees that so long as any of the Bond remain outstanding, it will, as an expense of operation and maintenance of the System, procure, carry and maintain insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

(a) Fire, Lightning, Vandalism, Malicious Mischief and Extended Coverage Insurance, to be procured upon acceptance of any part of the Project from the contractor, on all aboveground insurable portions of the System in an amount equal to the actual cost thereof. In the event of any damage to or destruction of any portion of the System, the City will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damaged or destroyed portion. The City will itself, or will require each contractor and subcontractor to,

obtain and maintain builder's risk insurance to protect the interests of the City during construction of the Project in the full insurable value thereof.

(b) Public Liability Insurance, with limits of not less than $500,000 for more than one person injured or killed in one accident to protect the City from claims for bodily injury and/or death which includes indemnification of the City and its engineer, and not less than $200,000 from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured at the commencement of construction of the Project.

(c) Vehicular Public Liability Insurance, in the event the City owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the City is operated for the benefit of the City with Limits of not less than $500,000 for one or more than one person injured or killed in one accident to protect the City from claims for bodily injury and/or death, and not less than $200,000 from claims for damage to property of others which may arise from such operation of vehicles, such insurance to be procured prior to acquisition or commencement of operation of any such vehicle.

(d) Workmen's Compensation Coverage for all Employees of or for the System Eligible Therefor; and Performance and Payment Bond, Workers Compensation coverage shall be provided as required by state law for all contractors, subcontractors and city employees eligible therefor and Payment and Performance bond to be in the amounts of 100% of the construction contract, will be required of each contractor dealing directly with the City, and such payment bonds will be filed with the Clerk of the County Court of said County prior to commencement of construction of the Project in compliance with West Virginia Code, Chapter 38, Article 2, Section 39.

(e) Fidelity Bond will be provided as to every member of the Governing Body and every officer and employee of the City having custody of the Depreciation Fund and the Revenue Fund or of any revenues or other funds of the System in an amount at least equal to the total annual debt service requirements for all outstanding FmHA loan to the Issuer.

(f) Flood Insurance to be purchased to the extent available at a reasonable cost to the Issuer and requested by holder of the bond.

(g) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, during construction of the Project and so long as the Government holds and of the Bond, the City will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the City and during such

construction will require each contractor and subcontractor to carry insurance, of such types and in such amounts as the Government may specify, with insurance carriers or bonding companies acceptable to the Government.

Section 5.07. Statutory Mortgage. For the further protection of the holders of the Bond, a statutory mortgage lien upon the System and revenues is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding as a parity with the 1970 and 1974 Bonds, subject only to the parity statutory mortgage lien for the 1970, 1974 and 1991 Bonds.

Section 5.08. Events of Default. Each of the following events is hereby declared an "Event of Default":

(A) Failure to make payment of any monthly amoritization installment of principal and interest due on the Bond on the date specified for the payment thereof;

(B) Failure duly and punctually to observe or perform any of the covenants, conditions and agreements on the part of the City in the Bond or herein, or violation of or failure to observe any provision of any pertinent law

Section 5.09. Enforcement. Upon the happening of any Event of Default specified above, then, and in every such case, any Bondholder may proceed to protect and enforce the rights of the Bondholders by an appropriate action in any court of competent jurisdiction, either for the specific performance of any covenant or agreement or execution of any power, or for the enforcement of any proper legal or equitable remedy as shall be deemed most effectual to protect and enforce such rights and shall have all rights prescribed by the Act, W.Va. Code and other applicable law.

Upon application by such Bondholder, such court may, upon proof of such default, appoint a receiver for the affairs of the City and the System. The receiver so appointed shall administer the System on behalf of the City shall exercise all the rights and powers of the City with respect to the System and shall have the power to collect and receive all revenues and apply the same in such manner as the court may direct.

Section 5.10. Fiscal Year; Budget. While any Bond are outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a fiscal year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than thirty days prior to the beginning of each fiscal year, the City agrees to adopt the Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of

the Annual Budget shall be made during each fiscal year unless unanimously authorized and directed by the Council. Copies of each Annual Budget shall be delivered to the Government, by the beginning of each fiscal year and shall be mailed to those Bondholders who shall have filed their names and addresses with the Recorder for such purpose.

If for any reason the City shall not have adopted the Annual Budget before the first day of any fiscal year, it shall adopt a Budget of Current Expenses from month to month until the adoption of the Annual Budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the year next preceding by more than ten per centum; and provided further, that adoption of a Budget of Current Expenses shall not constitute compliance with the covenant to adopt an Annual Budget unless failure to adopt an Annual Budget be for a reason beyond the control of the City. Each such Budget of Current Expenses shall be delivered and mailed immediately as in the case of the Annual Budget.

Section 5.11. Covenant to Proceed and Complete. The City hereby covenants to proceed as promptly as possible with the construction of the Project to completion thereof in accordance with the plans and specifications prepared by the Consulting Engineer and on file with the Recorder on the date of enactment hereof, subject to permitted changes.

Section 5.12. Books and Records; Audits. The City will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the City in which complete and correct entries shall be made of all transactions relating to the System, and any holder of a Bond or Bond, his agents and representatives, shall have the right at all times to inspect the System and all records, accounts and data of the City relating thereto.

The City shall, at least once a year, cause said books, records and accounts of the System to be properly audited by an independent competent firm of certified public accountants, shall mail a copy of such audit report to the Government and the original purchaser of the Bond. The Government, so long as it holds all the Bond, may permit substitution of a copy of the annual audit report by the office of the State Tax Commissioner for the copy of annual audit report by a certified public accountant.

Section 5.13. Maintenance of the System. The City covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as any of the Bond are outstanding and will abide by any agreement to maintain the project and System.

Section 5.14. No Competition. The City will not permit competition with the waterworks within its boundaries or within the territory served by it and will not grant or cause, consent to, or allow the granting of any franchise, permit or other authorization for any person, firm, corporation, public or private body, agency or instrumentality whatsoever to provide any of the services supplied by the waterworks within the boundaries of the City or within the territory served by the waterworks; provided, however, that the Roane County Public Service District does serve part of the territory and acquires water from the City.

ARTICLE VI

RATES, ETC.

Section 6.01. Initial Schedule of Rates and Charges; Rules.

A. The initial schedule of rates and charges for the services and facilities of the System, as set forth in a Tariff Sheets of Public Service Commission in Case No. 90-658-WS-MA received February 28, 1991 in the Tarriff office of the PSC.

B. The City hereby ratifies, confirms and enacts the following rates and charges as set out in the above described tariff sheets:

1. Applicable throughout entire service territory except such territories as served through Booster Stations.

AVAILABILITY OF SERVICE

Available for general domestic, commercial and industrial service.

RATES

First	2,000 gallons used per month	$3.42 per 1,000 gallons
Next	3,000 gallons used per month	3.30 per 1,000 gallons
Next	25,000 gallons used per month	2.71 per 1,000 gallons
Next	70,000 gallons used per month	1.10 per 1,000 gallons
All Over	100,000 gallons used per month	.99 per 1,000 gallons

MINIMUM CHARGE

No bill will be rendered for less than the following amounts, according to the size of the meter installed, to-wit:

(A)	5/8 inch meter or less	$ 6.84 per month
(A)	3/4 inch meter	$ 10.25 per month
(A)	1 inch meter	$ 17.10 per month
(A)	1-1/4 inch meter	$ 24.95 per month
(A)	1-1/2 inch meter	$ 34.20 per month

(A)	2	inch meter	$ 54.70 per month
(R)	3	inch meter	$102.60 per month
(R)	4	inch meter	$171.00 per month
(R)	6	inch meter	$342.00 per month

DELAYED PAYMENT PENALTY

The above tariff is net. On all current usage billings not paid in full within twenty-five (25) days, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate. No bill shall be considered delinquent any sooner than 30 days from the billing date. Any current penalty assessed shall be waived if the customer has paid his/her previous bills consistently within a 30-day period.

SERVICE CONNECTION FEE (TAP FEE)

A connection fee of Two Hundred Dollars ($200.00) is charged for each new connection.

RECONNECTION CHARGE

A reconnection charge of Ten Dollars ($10.00) shall be made to restore discontinued service.

2. Applicable to territory served by Spencer Plant through Booster Stations.

AVAILABILITY OF SERVICE

Available for general domestic, commercial and industrial service.

RATES

First	2,000 gallons used per month	$3.76 per 1,000 gallons
Next	3,000 gallons used per month	3.66 per 1,000 gallons
Next	25,000 gallons used per month	2.98 per 1,000 gallons
Next	70,000 gallons used per month	1.21 per 1,000 gallons
All Over	100,000 gallons used per month	1.09 per 1,000 gallons

MINIMUM CHARGE

No bill will be rendered for less than the following amounts, according to the size of the meter installed, to-wit:

(A)	5/8	inch meter or less	$ 7.52 per month
(A)	3/4	inch meter	$ 11.30 per month
(A)	1	inch meter	$ 18.80 per month
(A)	1-1/4	inch meter	$ 27.45 per month
(A)	1-1/2	inch meter	$ 37.60 per month
(A)	2	inch meter	$ 60.15 per month

(R)	3	inch meter	$112.80 per month
(R)	4	inch meter	$188.00 per month
(R)	6	inch meter	$376.00 per month

DELAYED PAYMENT PENALTY

The above tariff is net. On all current usage billings not paid in full within twenty-five (25) days, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate. No bill shall be considered delinquent any sooner than 30 days from the billing date. Any current penalty assessed shall be waived if the customer has paid his/her previous bills consistently within a 30-day period.

SERVICE CONNECTION FEE (TAP FEE)

A connection fee of Two Hundred Dollars ($200.00) is charged for each new connection.

RECONNECTION CHARGE

A reconnection charge of Ten Dollars ($10.00) shall be made to restore discontinued service.

3. Applicable in entire territory served by Spencer Plant.

AVAILABILITY OF SERVICE

Available for private fire protection service.

RATE

Where connections, hydrants, sprinklers, etc., on private property are maintained by consumer:

2 inch Service Line with hydrants, sprinklers and/or hose connections.....	$ 2.47 per month
3 inch Service Line with hydrants, sprinklers and/or hose connections.....	$ 2.97 per month
4 inch Service Line with hydrants, sprinklers and/or hose connections.....	$ 3.96 per month
6 inch Service Line with hydrants, sprinklers and/or hose connections.....	$ 8.90 per month
8 inch Service Line with hydrants, sprinklers and/or hose connections.....	$ 15.82 per month

10 inch Service Line with hydrants, sprinklers and/or hose connections..... $ 24.72 per month

12 inch Service Line with hydrants, sprinklers and/or hose connections..... $ 35.60 per month

Where connections and hydrants on private property are maintained by City:

Each fire hydrant..... $ 10.30 per month

These terms are payable monthly in advance.

PROMPT PAYMENT DISCOUNT

The above schedule is subject to a discount of five percent (5%) if accounts are paid in full at the office of the Company on or before the twenty (20) days from date of bill.

ARTICLE VII

MISCELLANEOUS

Section 7.01. Filing Under Uniform Commercial Code. Contemporaneously with the delivery of the Bond, or sooner, the City will execute Financing Statements and promptly thereafter, shall file such Financing Statements in any required by law

Section 7.02. Modification or Amendment. No material modification or amendment of this Ordinance, or of any ordinance amendatory hereof or supplemental hereto, may be made without the consent in writing of Government.

Section 7.03. Refunding of Bond Permitted. The City reserves the right to refund the Bond, subject to applicable provisions of West Virginia law, when in its judgment it would be to the best interests of the City and of its inhabitants so to do. Upon payment of all the Bond outstanding, prior to or simultaneously with the issuance of any refunding bonds or of an issue of bonds for the purposes of refunding the Bond then outstanding and providing funds for additions, extensions and improvements to the System, or upon provision for such payment by deposit irrevocably in trust, with the State Sinking Fund Commission of West Virginia, of a sum equal to the principal amount of the Bond outstanding, plus an amount equal to all interest accrued and to accrue to the date of payment or redemption of such Bond, and plus an amount sufficient to pay all applicable redemption premiums on the earliest practical redemption date, the security, pledge and any lien applicable to the Bond then outstanding shall immediately cease. The sum so deposited in trust shall be used solely to pay at the earliest practical redemption date the principal amount of the Bond and all interest thereon to

the date of redemption and the applicable redemption premiums, or to purchase Bond at not to exceed the par value of the Bond plus interest accrued to date of purchase. The moneys so deposited may be invested by the State Sinking Fund Commission in direct obligations of the United States of America or obligations the payment of the principal of and interest on which is guaranteed by the United States of America, having maturities not later than the dates on which the moneys shall be required to be used for such redemption.

Section 7.04. Severability of Invalid Provision. If any one or more of the covenants, agreements or provisions of this Ordinance should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions, and shall in no way affect the validity of all the other provisions hereof or the Bond or coupons appertaining thereto.

Section 7.05. Conflicting Provisions Repealed. All ordinances, resolutions and orders, or parts thereof, in conflict with the provisions hereof are, to the extent of such conflicts, hereby repealed, provided, that the 1974 Ordinance shall not be affected by this section.

Section 7.06. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 7.07. Effective Time. This Ordinance shall take effect following public hearing hereon in accordance with the Act.

Section 7.08. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Ordinance having been hereby approved and determined by the Council to contain sufficient information to give notice of the contents of this Ordinance, shall be published once a week for two successive weeks within a period of fourteen consecutive days, with at least six full days intervening between each publication, a newspaper published and of general circulation in the City, publication of which abstract of this Ordinance shall be together with a notice stating that this Ordinance has been enacted and that a certified copy of this Ordinance is on file with the Council in the office of the Recorder for review by interested person during office hours of the Recorder, and that the City contemplates the issuance of the 1991 Bond, and that any person interested may appear before the Council upon a date certain, not less than ten days subsequent to the date of the second publication of the said abstract and notice, and

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

Section 7.09. Award of 1991 Bond. The Mayor is hereby authorized and directed to cause the Series 1991 Bond R-1 as described herein to be delivered to and they are hereby awarded to the Government.

Section 7.10. Notices. Any notices which are given or required to be given shall be by certified mail, return receipt requested to the below address or such other address as the City shall designate in writing:

City of Spencer
City Hall
Attn: Mayor
Spencer, WV 25276

Passed on First Reading November 7, 1991.

Passed on Second and
Final Reading November 18, 1991.

Effective on Second and Final Reading following public hearing above described held December 9, 1991.

THE CITY OF SPENCER,
WEST VIRGINIA

By _____
Mayor

(SEAL)

ATTEST:

By _____
Recorder

BOOK 164 PAGE 372

STATE OF WEST VIRGINIA,

COUNTY OF ROANE, TO-WIT:

The foregoing instrument was acknowledged before me this 9th day of December, 1991 by Terry A. Williams the Mayor of the City of Spencer, as the true act and deed of the City.

(AFFIX SEAL)

Eleneva K. Southall
NOTARY PUBLIC

My commission expires November 9, 1997.

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
ELENEVA K. SOUTHALL
279 Speed Rd.
Spencer, W.Va. 25276
My Commission Expires November 9, 1997

STATE OF WEST VIRGINIA,
ROANE COUNTY COMMISSION CLERK'S OFFICE, 9 Dec., 1991 11:01 A.M.

Book No. 164

The foregoing instrument together with the certificate thereto annexed, was this date admitted to record in said office.

File No. 55756

Fee $ 16.00

LORETTA J. KNAPP

By Carolyn Sanders Deputy

Resolution to the City of Spencer, West Virginia

Resolution "Finding that the Council of the City of Spencer, West Virginia (the "City"), adopted an Ordinance which Ordinance authorized the acquisition and construction of extensions, improvements and betterments to the existing water system of the City of Spencer, and the financing of the costs thereof, not otherwise provided, through the issuance by the City of Spencer of not more than $365,000 in aggregate principal amount of Water Revenue Bond; all as more fully set out therein; finding that an abstract of the Ordinance together with a notice that said Ordinance has been adopted, that the City contemplates the issuance of the Bonds described in the Ordinance and that any person interested may appear before the Council of the City upon a certain date and present protests was published; finding that the Council of the City met and heard all objections and suggestions regarding whether the Ordinance should be put into effect; and ordering that Ordinance be final put into effect; and confirming the interest rates and payment amounts, and other terms of the Bonds, and making other provisions as to the Bonds."

WHEREAS, the Council of the City of Spencer, West Virginia (the "Council"), on November 18, 1991, adopted an Ordinance authorizing the acquisition and construction of additions, betterments and improvements for the existing public water facilities of the City and the financing of the cost, not otherwise provided, thereof through the issuance by the town of not more than $365,000 in aggregate principal amount of Water Revenue Bonds, Series 1991; providing for the rights and remedies of and security for the registered owners of such bonds; authorizing the sale and providing for the terms and provisions of such bonds and notes and adopting other provisions relating thereto all as more fully set out therein (said Ordinance is hereinafter referred to as the "Ordinance"); and

WHEREAS the Council of the City, directed the City Recorder to publish an abstract of the Ordinance (the "Abstract"), together with a notice that the Ordinance has been adopted, that the City contemplates the issuance of the bonds described in the Ordinance and that any person interested may appear before the Council of the City upon a certain date and present protests (the "Notice"); and

WHEREAS, the Notice provided for a public hearing to be held in Council Chambers at nine o'clock (9:00) a.m. on December 8, 1991; and

WHEREAS, the Ordinance provides for the issuance of the Water Revenue Bond, Series 1991 (the "Bond") of the City, and in the Ordinance it is provided that the dates, interest rates, maturities, sale prices and other terms of the Bond could be confirmed by a supplemental resolution; and

WHEREAS, the Bond are proposed to be purchased by the Farmers Home Administration; and

WHEREAS, the City Council (the "Council") of the City deems it desirable that this resolution be adopted and that the Ordinance be put into effect, that the final interest rate, and the monthly payment on the Bond be fixed hereby in the manner stated herein, and that other matters relating to the Bond be herein provided for.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SPENCER, WEST VIRGINIA, AS FOLLOWS:

Section 1. It is hereby found and determined:

(A) That the Abstract and Notice were duly published in The Times Record, a newspaper in general circulation in the City of Spencer , and the Notice for the public hearing at which interested persons might appear before the Council of the City and present protests, and a copy of the affidavit of publication reflecting such publication shall be attached hereto and incorporated herein;

(B) That, in accordance with the Notice, the City Clerk has maintained in his office a certified copy of the Ordinance for review by interested persons during the regular office hours of such office;

(C) That, in Council Chambers in the City Building, Spencer, WV on December 9, 1991, at nine o'clock (9:00) a.m., the Council of the City met for the purpose of hearing all objections and suggestions regarding whether the Ordinance should be put into effect, and no objections and suggestions were presented thereto;

(D) That, at said public hearing, no reasons were presented that could require modification or amendment of the Ordinance, and no written protest with regard thereto was filed by thirty percent (30%) or more of the owners of real estate situate in the City; and

(E) That the Ordinance shall be put into effect and that the Bond contemplated thereby shall be issued under the conditions provided therefor.

Section 2. Pursuant to the Ordinance and the Act, this Supplemental Resolution is adopted and there are hereby authorized, ordered and confirmed to be issued the Water Revenue Bond, Series 1991, in the aggregate principal amount of $365,000 (the "Bond"), all in the form set forth below and in the Ordinance:

The Bond of the City shall be originally issued in the form of a single bond, numbered R-1, in the principal amount of

$365,000. The Bond shall be dated the date of delivery thereof, shall bear interest at the rate of 5% per annum which is the lowest rate available from FmHA at this time, payable and interest, and shall be payable in installments of $1793.00 per month at the time set out in the Bond and described in the Ordinance.

Section 3. All other provisions relating to the Bond shall be as provided in the Ordinance, and the Bond shall be in substantially he form provided in the Ordinance with such changes, insertion and omissions as may be approved by the Mayor of the City. The execution of the Bond by the Mayor shall be conclusive evidence of such approval.

Section 4. The Mayor and City Recorder are hereby authorized and directed to execute and deliver such other documents and certificates, required or desirable in connection with the Bond and the Ordinance.

Section 5. The financing of the Project in part with proceeds of the Bond is in the public interest, serves a public purpose of the City and will promote the health, welfare and safety of the residents of the City.

Section 6. This Supplemental Resolution shall be effective immediately upon adoption.

Motion Made and Unanimously Approved on the 9th day of December, 1991.

THE CITY OF SPENCER

By _____
Mayor

ATTEST:

Charles R. Mace
Recorder

(SEAL)

CITY OF SPENCER, WEST VIRGINIA

WATER REVENUE BOND, SERIES 1993

BOND ORDINANCE

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Resolution to the City of Spencer, West Virginia

Resolution "Finding that the Council of the City of Spencer, West Virginia (the "City"), adopted an Ordinance which Ordinance authorized the acquisition and construction of extensions, improvements and betterments to the existing water system of the City of Spencer, and the financing of the costs thereof, not otherwise provided, through the issuance by the City of Spencer of not more than $300,000 in aggregate principal amount of Water Revenue Bond; all as more fully set out therein; finding that an abstract of the Ordinance together with a notice that said Ordinance has been adopted, that the City contemplates the issuance of the Bonds described in the Ordinance and that any person interested may appear before the Council of the City upon a certain date and present protests was published; finding that the Council of the City met and heard all objections and suggestions regarding whether the Ordinance should be put into effect; and ordering that Ordinance be final put into effect; and confirming the interest rates and payment amounts, and other terms of the Bonds, and making other provisions as to the Bonds."

WHEREAS, the Council of the City of Spencer, West Virginia (the "Council"), on February 24, 1993, adopted an Ordinance authorizing the acquisition and construction of additions, betterments and improvements for the existing public water facilities of the City and the financing of the cost, not otherwise provided, thereof through the issuance by the town of not more than $300,000 in aggregate principal amount of Water Revenue Bonds, Series 1993; providing for the rights and remedies of and security for the registered owners of such bonds; authorizing the sale and providing for the terms and provisions of such bonds and notes and adopting other provisions relating thereto all as more fully set out therein (said Ordinance is hereinafter referred to as the "Ordinance"); and

WHEREAS the Council of the City, directed the City Recorder to publish an abstract of the Ordinance (the "Abstract"), together with a notice that the Ordinance has been adopted, that the City contemplates the issuance of the bonds described in the Ordinance and that any person interested may appear before the Council of the City upon a certain date and present protests (the "Notice"); and

WHEREAS, the Notice provided for a public hearing to be held in Council Chambers at ten o'clock (10:00) a.m. on March 11, 1993; and

WHEREAS, the Ordinance provides for the issuance of the Water Revenue Bond, Series 1993 (the "Bond") of the City, and in the Ordinance it is provided that the dates, interest rates, maturities, sale prices and other terms of the Bond could be confirmed by a supplemental resolution; and

WHEREAS, the Bond are proposed to be purchased by the Farmers Home Administration; and

WHEREAS, the City Council (the "Council") of the City deems it desirable that this resolution be adopted and that the Ordinance be put into effect, that the final interest rate, and the monthly payment on the Bond be

fixed hereby in the manner stated herein, and that other matters relating to the Bond be herein provided for.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SPENCER, WEST VIRGINIA, AS FOLLOWS:

Section 1. It is hereby found and determined:

(A) That the Abstract and Notice were duly published in The Times Record, a newspaper in general circulation in the City of Spencer , and the Notice for the public hearing at which interested persons might appear before the Council of the City and present protests, and a copy of the affidavit of publication reflecting such publication shall be attached hereto and incorporated herein;

(B) That, in accordance with the Notice, the City Clerk has maintained in his office a certified copy of the Ordinance for review by interested persons during the regular office hours of such office;

(C) That, in Council Chambers in the City Building, Spencer, West Virginia on March 11, 1993, at ten o'clock (10:00) a.m., the Council of the City met for the purpose of hearing all objections and suggestions regarding whether the Ordinance should be put into effect, and no objections and suggestions were presented thereto;

(D) That, at said public hearing, no reasons were presented that could require modification or amendment of the Ordinance, and no written protest with regard thereto was filed by thirty percent (30%) or more of the owners of real estate situate in the City; and

(E) That the Ordinance shall be put into effect and that the Bond contemplated thereby shall be issued under the conditions provided therefor.

Section 2. Pursuant to the Ordinance and the Act, this Supplemental Resolution is adopted and there are hereby authorized, ordered and confirmed to be issued the Water Revenue Bond, Series 1993, in the aggregate principal amount of $300,000 (the "Bond"), all in the form set forth below and in the Ordinance:

The Bond of the City shall be originally issued in the form of a single bond, numbered R-1, in the principal amount of $300,000. The Bond shall be dated the date of delivery thereof, shall bear interest at the rate of 5% per annum which is the lowest rate available from FmHA at this time, payable and interest, and shall be payable in installments of $1,473.00 per month at the time set out in the Bond and described in the Ordinance.

Section 3. All other provisions relating to the Bond shall be as provided in the Ordinance, and the Bond shall be in substantially he form provided in the Ordinance with such changes, insertion and omissions as may be approved by the Mayor of the City. The execution of the Bond by the Mayor shall be conclusive evidence of such approval.

Section 4. The Mayor and City Recorder are hereby authorized and directed to execute and deliver such other documents and certificates, required or desirable in connection with the Bond and the Ordinance.

Section 5. The financing of the Project in part with proceeds of the Bond is in the public interest, serves a public purpose of the City and will promote the health, welfare and safety of the residents of the City.

Section 6. This Supplemental Resolution shall be effective immediately upon adoption.

Motion Made and Unanimously Approved on the 11th day of March, 1993.

THE CITY OF SPENCER

By _____
Mayor

ATTEST:

Charles R. Mace
Recorder

(SEAL)

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CITY OF SPENCER, WEST VIRGINIA

ORDINANCE AUTHORIZING THE ISSUANCE OF $300,000 WATER REVENUE BOND, SERIES 1993, OF THE CITY OF SPENCER TO FINANCE THE COSTS OF CONSTRUCTION OF BETTERMENTS AND IMPROVEMENTS TO ITS WATERWORKS OF THE CITY BY CONSTRUCTION OF IMPROVEMENTS TO THE WATER SYSTEM AND OTHER MATTERS; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BOND; PROVIDING FOR THE FIXING, ESTABLISHING AND COLLECTING OF RATES AND CHARGES FOR THE SERVICES AND FACILITIES OF THE WATERWORKS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES AND SECURITIES OF THE HOLDERS OF THE BOND AND FOR A STATUTORY MORTGAGE LIEN UPON SYSTEM AND THE REVENUES; PROVIDING COVENANTS AND PROVIDING WHEN THIS ORDINANCE SHALL TAKE EFFECT.

BE IT ORDAINED AND ENACTED BY THE COUNCIL OF THE CITY OF SPENCER, WEST VIRGINIA:

ARTICLE I

STATUTORY AUTHORITY,
FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Ordinance. This Ordinance is enacted pursuant to the provisions of Chapter 8, Article 19 of the West Virginia Code and other applicable provisions of law.

Section 1.02. Findings and Determinations. It hereby found, determined and declared as follows:

(A) The City of Spencer (herein called the "City"), in the County of Roane, State of West Virginia, now owns a public waterworks, but the waterworks are inadequate and the inhabitants of the City and adjacent areas and customers of the waterworks urgently need additional water and improvements to the facilities as herein provided.

(B) The City had previously had a study done by Boyles & Hildreth, Consulting Engineers, of Spencer, West Virginia (herein called the "Consulting Engineer"), which also reported the need to upgrade the water system.

(C) It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the said inhabitants and customers, and, accordingly, it is hereby ordered, that there be constructed additions, betterments and improvements to the waterworks of the City both within and outside the City which are described in the Engineering Report of the Consulting Engineer including a waterline extension to the new county high school (hereinafter collectively called the "Project"), and heretofore filed in the office of the Recorder which report is

incorporated herein by reference;

(D) It is necessary for the City to issue its revenue bonds in the principal amounts of $300,000 to finance part of the cost of construction of the Project in the manner hereinafter provided;

(E) The estimated maximum cost of the construction of the Project is $1,300,000, of which it is estimated that $300,000 will be obtained from the proceeds of sale of the Bond herein authorized and other funds from grants of $470,000 by Farmers Home Administration, a Small Cities Block Grant of $520,000 and local funds of $10,000;

(F) The cost of such construction shall be deemed to include, without being limited to, the construction and acquisition of the Project; the acquisition of any necessary property, real or personal, or interest therein; costs of interim construction financing; interest on the 1993 Bond during and after the estimated completion of such construction to the extent that revenues of the System are not sufficient therefore; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; and such other expenses as may be necessary of incidental to the construction and acquisition of the Project and the financing authorized hereby;

(G) The period of usefulness of the System after completion of the Project is not less than forty years; and

(H) There are the following water bonds outstanding: (a) the Waterworks Revenue Bonds Series 1970 dated as of the 1st day of January 1970 in the principal amount of $1,013,000 (the "1970 Bonds") authorized by ordinance enacted on March 7, 1970; (b) the Waterworks System Bond of the City, dated as of the 30th day of September, 1974 in the aggregate principal amount of $765,000 (herein called the "1974 Bond"); and (c) the $365,000 Water Revenue Bond, Series 1991 dated December 9, 1991 (herein called the "1991 Bond"). The 1993 Bond hereby authorized will be on a parity with the 1970 Bonds, 1974 Bond and 1991 Bond as to lien and source of and security for payment.

Section 1.03. Ordinance to Constitute Contract. In consideration of the acceptance of the Bond authorized to be issued hereunder by those who shall hold the same from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the City and such Bondholders, and the covenants and agreements herein set forth to be performed by the City shall be for the equal benefit, protection and security of the legal holders of any and all such Bond, all which shall be of equal rank without preference, priority or distinction of any of the Bond over any other thereof, except as expressly provided therein and herein.

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

"Act" means Article 19, Chapter 8, of the West Virginia Code and any amendments thereto.

"Bond" or "1993 Bond" means the $300,000 Water Revenue Bond, Series 1993, originally authorized to be issued pursuant to this Ordinance and also includes any additional Bond hereafter issued on a parity with the 1993 Bond within the terms, restrictions and conditions contained in this Ordinance.

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

"City" or "City" means the City of Spencer, in Roane County, West Virginia, and, where appropriate, also means the Common Council thereof and any department, board, agency or instrumentality thereof in control of the management and operation of the System.

"Depository Bank" means any bank its successors and assigns designated as such by the City which designation can be changed by the City.

"Facilities" means all the facilities of the System as expanded by the Project and also any facilities which may hereafter be added to the System by any additions, betterments, extensions and improvements thereto and properties, furniture, fixtures or equipment therefor, hereafter at any time constructed or acquired.

"FDIC" means the Federal Deposit Insurance Corporation.

"Fiscal Year" means each year beginning on July 1 and ending on the succeeding June 30.

"FmHA", "Government", "Purchaser" or "Farmers Home Administration" means United States Department of Agriculture, Farmers Home Administration, and any successor thereof.

"Governing Body" mens the City Council of the City.

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

"Herein" means in this Ordinance.

"Holder of the Bond" or "Bondholder" or any similar term means any person who shall be the bearer or owner of any

outstanding Bond or Bond registered to bearer or not registered, or the registered owner of any outstanding Bond or Bond which shall at the time be registered other than to the bearer, or of any coupons representing interest accrued or to accrue on said Bond.

"Mayor" means the Mayor of the City.

"Net Revenues" means the balance of the gross revenues, as defined below, remaining after deduction only of operating expenses, as defined below.

"Operating Expenses" means the current expenses, paid or accrued, of operation and maintenance of the System and its facilities, and includes, without limiting the generality of the foregoing, insurance premiums, salaries, wages and administrative expenses of the City relating and chargeable solely to the System, the accumulation of appropriate reserves for charges not annually recurrent but which are such as may reasonably be expected to be incurred, and such other reasonable operating costs as are normally and regularly included under recognized accounting practices.

"1970 Bonds" means the $1,013,000 Waterworks Revenue Bonds issued pursuant to the 1970 Ordinance.

"1970 Ordinance" means the Ordinance enacted by the City on March 7, 1970 authorizing the 1970 Bonds.

"1974 Bond" means the $765,000 Bond issued pursuant to the 1974 Ordinance.

"1974 Ordinance" means the Ordinance enacted by the City on September 30, 1974, authorizing issuance of the 1974 Bond, hereinabove defined, in the original aggregate principal amount of $265,000.

"1991 Bond" means the $365,000 Water Revenue Bond issued pursuant to the 1991 Ordinance by the City.

"1991 Ordinance" means the Ordinance passed on second reading on November 18, 1991 and enacted following the December 9, 1991 public hearing authorizing the $365,000 bond.

"Original Purchaser" means the purchaser, directly from the City, of any series of Bond issued pursuant hereto, or any part of any such series.

"Project" shall have the meaning stated above in Section 1.02(C).

"Qualified Investments" means and include 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 evidence of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;

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

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

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

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

must have) possession of such collateral, and such collateral must be free of all claims by third parties;

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

(i) Obligations of states or political subdivisions or agencies thereof, the interest on which is excluded from gross income for federal income tax purposes, and which are rated at least "A" by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

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

"Registrar" or "Bond Registrar" means the City.

"Reserve Requirement" means the maximum annual aggregate amount of interest and principal which will fall due on the Bond outstanding.

"Revenues" or "gross revenues" means all rates, rents, fees, charges or other income received by the City, or accrued to the City, or any department, board, agency or instrumentality thereof in control of the management and operation of the System, from the operation of the System, and all parts thereof, all as calculated in accordance with sound accounting practices.

"System or Waterworks System" means the waterworks system in its entirety or any integral part thereof, including mains, hydrants, meters, valves, standpipes, storage tanks, pump tanks, pumping stations, intakes, wells, impounding reservoirs, pumps, machinery, purification plants, softening apparatus and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to a water supply system owned by the City, including all water facilities now owned by the City and as expanded and improved by the Project, and all facilities and other property of every nature, real or personal, now or hereafter owned by the City and held or used in connection with the waterworks; and shall also include any and all additions, extensions, improvements, properties or other facilities at any time acquired or constructed for the System after completion of the Project and owned by the City.

Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

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 $1,300,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the Office of the Governing Body and the Mayor and/or his designee is authorized to execute the Bond and all other documents necessary to complete the Project and financing of the Project.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BOND

Section 3.01. Authorization of 1993 Bond. Subject and pursuant to the provisions hereof, the Bond of the City, to be known as "Water Revenue Bond, Series 1993" is hereby authorized to be issued in the aggregate principal amount of Three Hundred Thousand Dollars ($300,000) for the purpose of financing the cost of the construction and acquisition of the Project.

Section 3.02. Description of 1993 Bond.

The Bond. The Series 1993 Bond shall be issued in registered negotiable form, No. R-1, without coupons, and shall be dated on the date of delivery thereof. The Bond shall bear interest from date at the rate not to exceed 5.00% per annum or such lower rate as FmHA will make available at closing. The minimum price for the Bond shall be the par value thereof.

Prepayment of principal of the Bond may be made at any time without penalty and the Bond shall be payable in amounts and at the place or places as provided in the Bond form hereinafter set forth.

Section 3.03. Execution of Bond. The Bond shall be executed in the name of the City by the Mayor, who may also execute any other documents necessary to complete the bond closings, and the corporation seal of the City shall be affixed thereto and attested by the Recorder. In case any one or more of the officers who shall have signed or sealed any of the Bond shall cease to be such officer before the Bond so signed and sealed shall have been actually sold and delivered, such Bond may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bond shall hold the proper office in the City, although at the date of such Bond such person may not have held such office or may not have been so authorized. Any Bond may be signed and sealed on behalf of the City by such person as at the

actual time of the execution of such Bond shall hold the proper office in the City, although at the date of such Bond such person may not have held such office or may not have been so authorized.

Section 3.04. Negotiability, Registration, Transfer and Exchange of Bond. The Bond shall be and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, but the Bond may only be transferred by transfer of the registration thereof upon the books required to be kept pursuant to Section 3.05 hereof, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Registrar.

Whenever the Bond shall be surrendered for registration of transfer, the City shall execute and deliver a new Bond in authorized denominations, for a like aggregate principal amount. The Registrar shall require the payment by the Bondholder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, but the City shall pay any other expenses incurred by the Registrar with respect to such transfer.

No registration of transfer of the Bond shall be permitted to be made after the 15th day next preceding any installment payment date on the Bond.

Section 3.05. Registrar. The City will keep or cause to be kept at its office, sufficient books for the registration and transfer of the Bond, and, upon presentation for such purpose, the Registrar shall, under such reasonable regulations as it may prescribe, register the Bond initially issued pursuant hereto and register the transfer, or cause to be registered, on such books, the transfer of the Bond as hereinbefore provided.

The Registrar shall accept the Bond for registration or transfer only if ownership thereof is to be registered in the name of an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust, and the federal employer identification number and date of each trust and the name of the trustee of each trust.

Section 3.06. Bond Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the City may, in its discretion, issue and deliver a new Bond attached of like tenor as the Bond, if any, so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated

Bond, if any, or in lieu of and substitution for the Bond, if any, destroyed, stolen or lost, and upon the holder's furnishing the City proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the City may require. All Bond so surrendered shall be canceled and held for the account of the City. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the City may pay the same, upon being indemnified as aforesaid, and, if such Bond be destroyed, stolen or lost, without surrender thereof.

Any such duplicate Bond issued pursuant to this Section shall constitute original, additional contractual obligations on the part of the City, whether or not the destroyed, stolen or lost Bond be at any time found by anyone, and such duplicate Bond shall be entitled to equal and proportionate benefits with all other Bond issued hereunder.

Section 3.07. Bond Secured by Pledge and Lien of Revenues. The payment of the debt service of the Bond shall be secured by a lien on the revenues derived from the System in addition to the statutory mortgage lien on the System hereinafter provided for. The revenues derived from the System in an amount sufficient to pay the principal of and interest on the Bond, and to make the payments into the Sinking Fund and otherwise as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Bond as the same become due as herein provided.

Section 3.08. Parity with 1970, 1974 and 1991 Bonds. The statutory lien on the revenues of the System and the System the pledge of such revenues provided and stated in Section 3.07 above in favor of the Bond are on a parity with the lien thereon and pledge thereof in favor of the 1970, 1974 and 1991 Bonds.

Section 3.09. Form of 1993 Bond. Subject to the provisions hereof, the text of the 1993 Bond and the details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted by this Ordinance or any subsequent ordinance or resolution enacted or adopted prior to the issuance thereof:

(Form of Bond)
THE CITY OF SPENCER, WEST VIRGINIA
WATER REVENUE BOND
SERIES 1993

No. R-1 $300,000

Date: _____, 1993

FOR VALUE RECEIVED, THE CITY OF SPENCER, in the County of Roane, State of West Virginia, a municipal corporation (herein called "City") promises to pay to the order of the United States of America, acting through the Farmers Home Administration, United States Department of Agriculture (herein called the "Government") at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of Three Hundred Thousand Dollars ($300,000), plus interest on the unpaid principal balance at the rate of _____ percent per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only commencing on the 30th day following delivery of the Bond and continuing on the corresponding day of each month for the first Twenty-four (24) months after the date hereof and $_____ covering principal and interest on said corresponding day of each month thereafter, except that the final installment shall be paid at the end of forty (40) years from the date of this Bond, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to City as requested by City and approved by the Government and interest shall accrue on the amount of each advance from its actual date as shown on the reverse hereof.

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of City. Refunds and extra payments, as defined in the regulations of the Farmers Home Administration according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of City to pay the remaining installments as scheduled herein.

If the Government at any time assigns this Bond and insures the payment thereof, City shall continue to make payments to the Government as collection agent for the holder.

While this Bond is held by an insured lender, prepayments as above authorized made by City may, at the option of the Government, be remitted by the Government and remitted to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by City, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by the City, and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security herefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by City to the Government without demand. City agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

City hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purposes of providing funds for financing costs of construction and acquisition of additions for the waterworks system of the City, is payable solely from the revenues to be derived from the operation of such waterworks system after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the waterworks system. This Bond does not in any manner constitute an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at said office of the Registrar, as defined in the Ordinance, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Ordinance, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bond, or authorized denomination or denominations, for the like principal amount, will be issued to

the transferee in exchange herefor.

This Bond, under the provisions of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may only be transferred by transfer of registration hereof with the Registrar.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including among others, Article 19 of Chapter 8 of the West Virginia Code (herein called the "Act"), and with an Ordinance of the City duly enacted.

This Bond is given as evidence of a loan to City made or insured by the Government pursuant to the Consolidated Farmer and Rural Development Act. This Bond shall be subject to the present regulations of the Farmers Home Administration and to its future regulations not consistent with the express provisions hereof.

THIS BOND IS ON A PARITY WITH BOTH THE SERIES 1970, 1974 AND 1991 WATER REVENUE BONDS OF THE CITY AS TO THE STATUTORY LIEN AND SOURCE OF ANY SECURITY FOR PAYMENT.

The initial address of Government for purposes of bond registration is P.O. Box 678, Morgantown, West Virginia 26505.

IN WITNESS WHEREOF, The City of Spencer has caused this Bond to be executed by its Mayor and its corporate seal to be affixed and attested by its Recorder all as of the date hereinabove written.

[CORPORATE SEAL]

THE CITY OF SPENCER, WEST VIRGINIA
(Name of City)

_____
(Signature of Executive Official)

MAYOR
(Title of Executive Official)

ATTEST:

_____
(Signature of Attesting Official)

207 Court Street
(Post Office Box No./Street Address)

RECORDER
(Title of Attesting Official)

Spencer, West Virginia 25276
(City, State and Zip Code)

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) $		(6) $	
(2) $		(7) $	
(3) $		(8) $	
(4) $		(9) $	
(5) $		(10) $	

TOTAL $_____

(Form of Assignment)

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 City with full power of substitution in the premises.

DATED: _____.

In the presence of: _____

_____

(No writing on this Bond except by the Registrar)

Date of Registration	In Whose Name Registered	Signature of Registrar
_____	_____	_____
_____	_____	_____
_____	_____	_____

ARTICLE IV

1993 BOND PROCEEDS; REVENUES
AND APPLICATION THEREOF

Section 4.01. 1993 Bond Proceeds; Project Construction Account. All moneys received from the sale of any or all the 1993 Bond shall be deposited on receipt by the City in the First National Bank, Spencer, West Virginia, a member of Federal Deposit Insurance Corporation (FDIC), in a special account hereby now established and designated as "City of Spencer 1993 $300,000 Waterworks Construction Account" (herein called the "Project Construction Account.") The moneys in the Project Construction Accounts in excess of the amount insured by FDIC shall be secured at all times by such bank by securities or in a manner lawful for the securing of deposits of State and municipal funds under West Virginia law. Moneys in the Project Construction Account shall be expended by the City solely for the purposes provided herein.

Until completion of the construction of the Project, the City will transfer from the Project Construction Account and pay to the Purchaser on or before the fifteenth day of each month, such sums as shall be from time to time required to make the monthly installment payments on the Bond if there are not sufficient Net Revenues to make such monthly payment.

If the City shall determine at any time that all funds on deposit in the Project Construction Account exceed the estimated disbursements on account of the Project for the ensuing 90 days, the City may invest such excess funds in Qualified Investment, which shall mature not later than eighteen months after the date of such investment. All such investments and the income therefrom shall be carried to the credit of the Project Construction Account.

Pending application as provided in this Section, money and funds in the Project Construction Account shall be invested and reinvested at the direction of the City, to the extent possible in accordance with applicable law, in Qualified Investments.

When construction of the Project has been completed and all Costs thereof have been paid or provision for such payment has been made, any balance remaining in either of the Project Construction Accounts shall be promptly transmitted to the Municipal Bond Commission (the "Bond Commission") with directions that such funds be used immediately to redeem or prepay the 1993 Bond from which construction account the funds derived.

Section 4.02. Covenants as to Revenues and Funds. So long as the Bond shall be outstanding and unpaid, or until there shall have been set apart in the 1993 Sinking Funds and the 1993 Reserve Accounts therein, hereinafter established, a sum sufficient to pay, when due or at the earliest practical redemption date, the entire

principal of the Bond remaining unpaid together with interest accrued and to accrue thereon, the City further covenants with the holders of any and all Bond issued pursuant hereto as follows:

(A) Revenue Fund. The entire gross revenues derived from the operation of the System, and all parts thereof, and all tap fees received, except as otherwise provided herein, shall be deposited as collected by the City in a special fund known as the "Revenue Fund" established by the 1970 Ordinance, and continued by this Ordinance, in a bank or trust company in the State of West Virginia which is a member of FDIC. The Revenue Fund shall constitute a trust fund for the purposes provided herein and shall be kept separate and distinct from all other funds of the City and used only for the purposes and in the manner provided herein.

(B) Disposition of Revenues. All revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority:

(1) The City shall first each month pay from the moneys in the Revenue Fund all current operating expenses.

(2) So long as any of the 1970, 1974, 1991 and 1993 Bonds remain outstanding and unpaid or until provision for payment of the 1970, 1974, 1991 and 1993 Bonds and the interest thereon and any applicable redemption premiums has been made in full by deposit of the necessary funds with the Bond Commission or Depository Bank as the case may be, the City shall on a parity basis first, each month, remit to (i) the Bond Commission or (ii) the holder thereof for any bond owned by the United States of America or any agency or department thereof directly to the United States of America or said agency or department, the sums required to provide for payment of principal of and interest on the 1970, 1974, 1991 and 1993 Bonds.

(3) The City shall next, before the end of each month, transfer for deposit into the "1993 Sinking Fund $300,000 Series 1993 Bond" hereby established with the Bond Commission and the "1991 Sinking Fund Series 1991 Bond" in the event the holder of the 1991 Bond or the 1993 Bond is not FmHA or any agency or department of the United States of America, the amounts required to pay the monthly principal and interest payments on the 1991 Bond and 1993 Bond so as to amortize the principal of such bonds over the life of the respective bond issues.

(4) The City will also remit to the Bond Commission or Depository Bank, as the case may be, from time to time, such amounts as shall be required to pay the fiscal charges due to paying agents for paying the 1970, 1974, 1991 and 1993 Bonds and the interest and principal thereon.

(5) The City shall next, each month, transfer from the

Revenue Fund, and remit to the Bond Commission or Depository Bank, as the case may be:

(a) For deposit on a pro rata basis into the Reserve Accounts, established in the 1970 Ordinance, the amounts required by the 1970 and 1974 and 1991 Ordinances and into a new reserve account, for the 1993 Bond one-twelfth (1/12) of one-tenth (1/10) of the amount, as of the date of calculation, of interest and principal which will fall due on the 1993 Bond in any year until the amount in the Reserve Account equals the Reserve Requirement

(b) After such amounts have been accumulated in the respective Reserve Accounts, the City shall monthly remit to the Bond Commission such part of the moneys remaining in the Revenue Fund, after such provision for payment of maturing principal of and interest on all outstanding Bonds, as shall be required to maintain such amounts in the Reserve Accounts.

(c) Moneys in the existing Reserve Account created for the 1970 and 1974 Bonds shall be used solely to make up any deficiency in the Sinking Funds for payment of the principal of and interest pro rata on all outstanding 1970 and 1974 Bonds and moneys in the 1991 and 1993 Reserve Accounts shall be used to make up any deficiency for payment on the 1991 and 1993 Bonds as the same shall mature or for mandatory redemption of Bonds as hereinafter provided and for no other purpose.

(6) The City shall next, each month, transfer from the Revenue Fund and deposit in the Replacement Reserve established by the 1970 Ordinance moneys remaining in the Revenue Fund and not permitted to be retained therein until the sum specified by the 1974 Ordinance has been accumulated and thereafter the sums required to maintain such reserve.

(7) After all the foregoing provisions for use of moneys in or the Revenue Fund, have been fully complied with, any moneys remaining therein may be used to redeem any 1970, 1974, 1991 or 1993 Bonds outstanding on a pro rata basis as nearly as feasible or for any lawful purpose in connection with the System and the Bond Commission may be designated by the City to handle redemption of Bonds upon instructions of the City.

Whenever the moneys in the respective sinking funds and in the reserve accounts therein shall be sufficient to purchase or redeem all bonds outstanding for a particular issue, it shall be the mandatory duty of the City, anything to the contrary in this Ordinance notwithstanding, to direct the Bond Commission to purchase or redeem all of such outstanding bonds at the earliest practical date and in accordance with applicable provisions hereof, any such purchase to be at a price or prices not exceeding the then market price of the bonds so purchased, but in no event exceeding the then redemption price of the bonds, as to bonds subject to

redemption, and not exceeding the par value of bonds not subject to redemption but available for purchase.

All the funds provided for in this Section shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the Bondholders shall have a lien thereon for further securing payment of the Bond and the interest thereon. The moneys is excess of the sum insured by FDIC in the Revenue Fund shall at all times be secured, to the full extent thereof in excess of such insured sum, in a manner lawful for securing deposits of State and municipal funds under the laws of the State of West Virginia.

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

The Bond Commission or a Depository Bank as the case may be, at the direction of the City, shall keep the moneys in the Reserve Fund invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities consonant with the required use thereof. Investments in any fund or account under this Bond Legislation shall, unless otherwise provided herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia State Board of Investments. 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 interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund.

(C) Change of Depository Agent and Fiscal Agent. The City may designate the Municipal Bond Commission or another bank or trust company insured by FDIC as Fiscal Agent and Depository Bank if the Bank should cease for any reason to serve or if the Governing Body determines by resolution that said Bank or its successor should no longer serve as Fiscal Agent or Depository Bank. Upon any such change, the Governing Body will cause notice

of the change to be sent by registered or certified mail to the Purchaser.

(D) User Contracts. The City shall, prior to delivery of the Bond, provide evidence that there will be 130 bona fide users initially upon the System, and must obtain user agreements and the user contribution, if any, from each new user and deposit in the Water Project Construction Account all such user contributions collected.

(E) Charges and Fees. The City shall remit from the Revenue Fund to the Depository Bank such additional sums as shall be necessary to pay the charges and fees of the Depository Bank then due.

(F) Investment of Excess Balances. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in any of such funds or accounts shall at all times be secured, to the full extent thereof in excess of such insured sum, in a lawful manner for securing deposits of state and municipal funds under the laws of the State.

(G) Remittances. All remittances made by the City to the Depository Bank shall clearly identify the fund or account into which each amount is to be deposited.

(H) Gross Revenues. The Gross Revenues of the System shall only be used for purposes of the System.

ARTICLE V

GENERAL COVENANTS

Section 5.01. General Statement. So long as the Bond shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Fund a sum sufficient to prepay the entire principal of the Board remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants agreements contained herein shall be and constitute valid and legally binding covenants between the City and the Bondholder.

Section 5.02. Rates. The City will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide revenues in each fiscal year sufficient to produce net revenues equal to not less than 110% of the average annual debt service on the 1993 Bond and to make the payments required herein to be made for payment of the 1970, 1974 and 1991 Bonds and the interest thereon and into the Reserve Account and the Depreciation Fund, and such rates, fees and other charges shall not be reduced

so as to be insufficient to provide adequate revenues for such purposes.

Section 5.03. Sale of the System. The System may not be sold, mortgaged, leased or otherwise disposed of without the prior written consent of the Government or holder of the Bond. Such consent will specify the use of the proceeds of any such disposition.

Section 5.04. Covenant Against Encumbrances. The City will not issue any obligations whatsoever, except additional parity Bond hereinafter provided for, 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 Bond; and all obligations hereafter issued by the City payable from the revenues of the System.

Section 5.05. Issuance of Additional Parity Bond. No additional parity Bond, as in this Section defined, payable out of the revenues of the System, shall be issued after the issuance of any Bond pursuant hereto, except under the conditions and in the manner herein provided.

(A) No such additional parity Bond shall be issued except for the purposes of financing the costs of the construction or acquisition of extensions, additions and improvements to the System or refunding Bond issued hereunder, except as provided in subsection (F) of this Section.

(B) No such additional parity Bond shall be issued at any time, however, unless and until there has been procured and filed with the Recorder a written certification by a certified public accountant not in the regular employ of the City based upon the necessary investigation, reciting the conclusion that the net revenues, as defined herein, actually derived from the System during the fiscal year immediately preceding the date of the issuance of such additional parity Bond, shall have been not less than one hundred twenty per centum (120%) of the average aggregate amount which will mature or become due in any succeeding fiscal year for principal of and interest on the Bond then outstanding and on the additional parity Bond then proposed to be issued. This limitation may be waived or modified by the written consent of Bondholders representing 75% of each Series of the then outstanding 1993 Bond and the Government as initial purchaser of 1993 Bond.

(C) The term "additional parity Bond", as used in this Section, shall be deemed to mean additional Bond issued under the provisions and within the limitations of this Section, payable from the revenues of the System on a parity with the 1993 Bond, and all the covenants and other provisions of this Ordinance (except as to details of such additional parity Bond inconsistent herewith) shall be for the equal benefit, protection and security of the holders of

any Bond issued pursuant to this Ordinance and the holders of any additional Bond subsequently issued within the limitations of and in compliance with this Section. All such Bond, 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 or coupon over any other. The City shall comply fully with all the increased payments into the various funds created herein required for such additional parity Bond, in addition to the payments required for Bond originally issued hereunder. Redemption of Bond prior to maturity in the event that the 1991 Bond and additional parity Bond hereby authorized are outstanding, shall as nearly as practical be on an equal pro rata basis reflecting the original amounts of each issue.

(D) All additional parity Bond issued pursuant to this Section shall mature on such dates as the City so desires.

(E) No additional parity Bond shall be issued at any time unless all the payments into the respective Funds provided for herein on Bond then outstanding and all other payments provided for herein shall have been made or paid up as required to the date of issuance of the additional parity Bond and the City shall have fully complied with all the covenants, agreements and terms hereof or shall have remedied any deficiency in such compliance.

(F) With the written consent in advance of the original purchaser of the 1993 Bond and of Farmers Home Administration and anything to the contrary in subsections (A) through (D) of this Section notwithstanding, additional parity Bonds may be authorized and issued by the City pursuant to supplemental ordinance in the event that the 1993 Bond should be insufficient, together with other funds lawfully available therefor, to pay all costs of construction of the Project. Any such additional parity Bond authorized and issued under the provisions of this subsection shall be limited to the aggregate principal amount required to make up any deficiency in funds for payment of such construction costs, and the maturities of any such additional parity Bond shall be in years and amounts suggested by said original purchaser and Farmers Home Administration.

Section 5.06. Insurance and Bond. The City hereby covenants and agrees that so long as any of the Bond remain outstanding, it will, as an expense of operation and maintenance of the System, procure, carry and maintain insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

(a) Fire, Lightning, Vandalism, Malicious Mischief and Extended Coverage Insurance, to be procured upon acceptance of any part of the Project from the contractor, on all aboveground insurable portions of the System in an amount equal to the actual

cost thereof. In the event of any damage to or destruction of any portion of the System, the City will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damaged or destroyed portion. The City will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the City during construction of the Project in the full insurable value thereof.

(b) Public Liability Insurance, with limits of not less than $500,000 for more than one person injured or killed in one accident to protect the City from claims for bodily injury and/or death which includes indemnification of the City and its engineer, and not less than $200,000 from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured at the commencement of construction of the Project.

(c) Vehicular Public Liability Insurance, in the event the City owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the City is operated for the benefit of the City with Limits of not less than $500,000 for one or more than one person injured or killed in one accident to protect the City from claims for bodily injury and/or death, and not less than $200,000 from claims for damage to property of others which may arise from such operation of vehicles, such insurance to be procured prior to acquisition or commencement of operation of any such vehicle.

(d) Worker's Compensation Coverage for all Employees of or for the System Eligible Therefor; and Performance and Payment Bond, Worker's Compensation coverage shall be provided as required by state law for all contractors, subcontractors and city employees eligible therefor and Payment and Performance bond to be in the amounts of 100% of the construction contract, will be required of each contractor dealing directly with the City, and such payment bonds will be filed with the Clerk of the County Court of said County prior to commencement of construction of the Project in compliance with West Virginia Code, Chapter 38, Article 2, Section 39.

(e) Fidelity Bond will be provided as to every member of the Governing Body and every officer and employee of the City having custody of the Depreciation Fund and the Revenue Fund or of any revenues or other funds of the System in an amount at least equal to the total annual debt service requirements for all outstanding FmHA loan to the City.

(f) Flood Insurance to be purchased to the extent available at a reasonable cost to the City and requested by holder of the bond.

(g) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, during construction of the Project and so long as the Government holds and of the Bond, the City will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the City and during such construction will require each contractor and subcontractor to carry insurance, of such types and in such amounts as the Government may specify, with insurance carriers or bonding companies acceptable to the Government.

Section 5.07. Statutory Mortgage. For the further protection of the holders of the Bond, a statutory mortgage lien upon the System and revenues is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding as a parity with the 1970, 1974 and 1991 Bonds, subject only to the parity statutory mortgage lien for the 1970, 1974, 1991 and 1993 Bonds.

Section 5.08. Events of Default. Each of the following events is hereby declared an "Event of Default":

(A) Failure to make payment of any monthly amoritization installment of principal and interest due on the Bond on the date specified for the payment thereof;

(B) Failure duly and punctually to observe or perform any of the covenants, conditions and agreements on the part of the City in the Bond or herein, or violation of or failure to observe any provision of any pertinent law

Section 5.09. Enforcement. Upon the happening of any Event of Default specified above, then, and in every such case, any Bondholder may proceed to protect and enforce the rights of the Bondholders by an appropriate action in any court of competent jurisdiction, either for the specific performance of any covenant or agreement or execution of any power, or for the enforcement of any proper legal or equitable remedy as shall be deemed most effectual to protect and enforce such rights and shall have all rights prescribed by the Act, W.Va. Code and other applicable law.

Upon application by such Bondholder, such court may, upon proof of such default, appoint a receiver for the affairs of the City and the System. The receiver so appointed shall administer the System on behalf of the City shall exercise all the rights and powers of the City with respect to the System and shall have the power to collect and receive all revenues and apply the same in such manner as the court may direct.

Section 5.10. Fiscal Year; Budget. While any Bond are outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a fiscal year basis commencing on July 1 of each year and ending on the following June

30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than thirty days prior to the beginning of each fiscal year, the City agrees to adopt the Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during each fiscal year unless unanimously authorized and directed by the Council. Copies of each Annual Budget shall be delivered to the Government, by the beginning of each fiscal year and shall be mailed to those Bondholders who shall have filed their names and addresses with the Recorder for such purpose.

If for any reason the City shall not have adopted the Annual Budget before the first day of any fiscal year, it shall adopt a Budget of Current Expenses from month to month until the adoption of the Annual Budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the year next preceding by more than ten per centum; and provided further, that adoption of a Budget of Current Expenses shall not constitute compliance with the covenant to adopt an Annual Budget unless failure to adopt an Annual Budget be for a reason beyond the control of the City. Each such Budget of Current Expenses shall be delivered and mailed immediately as in the case of the Annual Budget.

Section 5.11. Covenant to Proceed and Complete. The City hereby covenants to proceed as promptly as possible with the construction of the Project to completion thereof in accordance with the plans and specifications prepared by the Consulting Engineer and on file with the Recorder on the date of enactment hereof, subject to permitted changes.

Section 5.12. Books and Records; Audits. The City will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the City in which complete and correct entries shall be made of all transactions relating to the System, and any holder of a Bond or Bond, his agents and representatives, shall have the right at all times to inspect the System and all records, accounts and data of the City relating thereto.

The City shall, at least once a year, cause said books, records and accounts of the System to be properly audited by an independent competent firm of certified public accountants, shall mail a copy of such audit report to the Government and the original purchaser of the Bond. The Government, so long as it holds all the Bond, may permit substitution of a copy of the annual audit report by the office of the State Tax Commissioner for the copy of annual audit report by a certified public accountant.

Section 5.13. Maintenance of the System. The City covenants that it will continuously operate, in an economical and

efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as any of the Bond is outstanding and will abide by any agreement to maintain the project and System.

Section 5.14. No Competition. The City will not permit competition with the waterworks within its boundaries or within the territory served by it and will not grant or cause, consent to, or allow the granting of any franchise, permit or other authorization for any person, firm, corporation, public or private body, agency or instrumentality whatsoever to provide any of the services supplied by the waterworks within the boundaries of the City or within the territory served by the waterworks; provided, however, that the Roane County Public Service District does serve part of the territory and acquires water from the City.

Section 5.15. Tax Covenants as to Tax Exempt Status of Bonds; Arbitrage Rebate Exemption.

1. The City convenants that (a) it shall not permit or cause to be done any act or thing which would result in the loss of exemption from tax of interest on the Bond under Section 103 (a) of the Internal Revenue Code and the regulations thereunder, or under any successor or similar provision of the Internal Revenue Code hereinafter enacted and applicable to the Bond, and regulations thereunder; (b) it shall not invest or otherwise use or permit or cause to be invested or used, any of the proceeds of the Bond, or moneys deemed to be proceeds of the Bond under the Internal Revenue Code, directly or indirectly, in any manner which would result in such Bond being classified as an "arbitrage bond" within the meaning of Section 148 of the Internal Revenue Service Code or regulations thereunder, and each shall comply with the requirements of such Section and (d) no part of the proceeds of the Bond or any funds held under the Ordinance shall at any time be used directly or indirectly for any purpose for which would cause the Bond to be subject to treatment as an "private activity bond" under the Internal Revenue Code or regulations thereunder and to that end the City will comply with the applicable law as long as the Bond is outstanding.

The City hereby certifies, pursuant to Section 148(f)(4)(C) of the Code, that it does not reasonably expect to issue more than $5,000,000 in bonds during calendar year 1993, and on the date of issuance of the Bond, the City shall certify that:

(i) the issue is issued by a governmental unit with general taxing powers,

(ii) no bond which is part of such issue is a private activity bond,

(iii) 95 percent or more of the net proceeds of such issue

are to be used for local governmental activities of the issuer (or of a governmental unit the jursidiction which is entirely within jurisdiction of the City, and

(iv) the aggregate face amount of all tax-exempt bonds (other than private activity bonds) issued by such unit during the calendar year in which such issue is issued is not reasonably expected to exceed $5,000,000.

2. Tax Covenants. The City hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The City shall assure that (i) not in excess of 10% of the Net Proceeds of the Bond used for private business use is, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Bond during the term thereof is, under the terms of the Bond or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a private business use or in payments in respect of property used or to be used for a private business use or is to be derived from payments, whether or not to the City, in respect of property or borrowed money used or to be used for a private business use, and (ii) and that, in the event that both (A) in excess of 5% of the Net Proceeds of the 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 Bond during the term thereof is, under the terms of the Bond 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 the City, in respect of property or borrowed money used or to be used for said private business use, then said excess over said 5% or Net Proceeds of the 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 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.

B. PRIVATE LOAN LIMITATION. The City shall assure that not in excess of 5% of the Net Proceeds of the Bond 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 City 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 Bonds to be "federally guaranteed" within the meaning of Section 149 (b) of the Code and Regulations promulgated thereunder.

D. INFORMATION RETURN. The City will file all statements,

instruments and returns necessary to assure the tax-exempt status of the Bond and the interest thereon, including without limitation, the information return required under Section 149 (e) of the Code.

E. FURTHER ACTIONS. The City will take any and all actions that may be required of it (including those deemed necessary by the Holder) so that the interest on the Bond 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 those determined by the Holder) which would adversely affect such exclusion.

ARTICLE VI

RATES, ETC.

Section 6.01. Initial Schedule of Rates and Charges; Rules.

A. The initial schedule of rates and charges for the services and facilities of the System, as set forth in a Tariff Sheets of Public Service Commission received August 24, 1992 in the Tariff office of the PSC as modified for the below described rates.

B. The City hereby modifies and enacts to the extent necessary the rates and charges as set out in the above described tariff sheets by adding U.S. Route 119 South, Speed Road and Missouri Fork Road to the service area under Schedule 1, which rates are as follows:

1. Schedule 1 rates applicable throughout U.S. Route 119 South, Speed Road, Missouri Fork Road, U.S. Route 33 West, Steel Hollow Road, Nancy's Run Road, and Colt Ridge Road except ones served through Booster's Stations.

AVAILABILITY OF SERVICE

RATES

First	2,000 gallons used per month	$6.90 per 1,000 gallons
Next	3,000 gallons used per month	6.70 per 1,000 gallons
Next	25,000 gallons used per month	6.30 per 1,000 gallons
Next	70,000 gallons used per month	2.20 per 1,000 gallons
All Over	100,000 gallons used per month	1.98 per 1,000 gallons

MINIMUM CHARGE

No bill will be rendered for less than the following amounts, according to the size of the meter installed, to-wit:

5/8 inch meter or less	$ 13.80 per month
3/4 inch meter	$ 20.70 per month
1 inch meter	$ 34.50 per month

DELAYED PAYMENT PENALTY

The above tariff is net. On all current usage billings not paid in full within twenty-five (25) days, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate. No bill shall be considered delinquent any sooner than 30 days from the billing date. Any current penalty assessed shall be waived if the customer has paid his/her previous bills consistently within a 30-day period.

SERVICE CONNECTION FEE (TAP FEE)

Prior to construction - $100.00

After the start of construction, there will be a charge of three hundred and sixty-four dollars ($364.00)

RECONNECTION CHARGE

A reconnection charge of Ten Dollars ($10.00) shall be made to restore discontinued service.

ARTICLE VII

MISCELLANEOUS

Section 7.01. Filing Under Uniform Commercial Code. Contemporaneously with the delivery of the Bond, or sooner, the City will execute Financing Statements and promptly thereafter, shall file such Financing Statements in any required by law

Section 7.02. Modification or Amendment. No material modification or amendment of this Ordinance, or of any ordinance amendatory hereof or supplemental hereto, may be made without the consent in writing of Government.

Section 7.03. Refunding of Bond Permitted. The City reserves the right to refund the Bond, subject to applicable provisions of West Virginia law, when in its judgment it would be to the best interests of the City and of its inhabitants so to do. Upon payment of all the Bond outstanding, prior to or simultaneously with the issuance of any refunding bonds or of an issue of bonds for the purposes of refunding the Bond then outstanding and providing funds for additions, extensions and improvements to the System, or upon provision for such payment by deposit irrevocably in trust, with the State Sinking Fund Commission of West Virginia, of a sum equal to the principal amount

of the Bond outstanding, plus an amount equal to all interest accrued and to accrue to the date of payment or redemption of such Bond, and plus an amount sufficient to pay all applicable redemption premiums on the earliest practical redemption date, the security, pledge and any lien applicable to the Bond then outstanding shall immediately cease. The sum so deposited in trust shall be used solely to pay at the earliest practical redemption date the principal amount of the Bond and all interest thereon to the date of redemption and the applicable redemption premiums, or to purchase Bond at not to exceed the par value of the Bond plus interest accrued to date of purchase. The moneys so deposited may be invested by the State Sinking Fund Commission in direct obligations of the United States of America or obligations the payment of the principal of and interest on which is guaranteed by the United States of America, having maturities not later than the dates on which the moneys shall be required to be used for such redemption.

Section 7.04. Severability of Invalid Provision. If any one or more of the covenants, agreements or provisions of this Ordinance should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions, and shall in no way affect the validity of all the other provisions hereof or the Bond or coupons appertaining thereto.

Section 7.05. Conflicting Provisions Repealed. All ordinances, resolutions and orders, or parts thereof, in conflict with the provisions hereof are, to the extent of such conflicts, hereby repealed, provided, that the 1974 Ordinance shall not be affected by this section.

Section 7.06. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 7.07. Effective Date. This Ordinance shall take effect following public hearing hereon in accordance with the Act.

Section 7.08. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Ordinance having been hereby approved and determined by the Council to contain sufficient information to give notice of the contents of this Ordinance, shall be published once a week for two successive weeks within a period of fourteen consecutive days, with at least six full days intervening between each publication, a newspaper published and of general circulation in the City, publication of which abstract of

this Ordinance shall be together with a notice stating that this Ordinance has been enacted and that a certified copy of this Ordinance is on file with the Council in the office of the Recorder for review by interested person during office hours of the Recorder, and that the City contemplates the issuance of the 1992 Bond, and that any person interested may appear before the Council upon a date certain, not less than ten days subsequent to the date of the first publication of the said abstract and notice, and present protests. At such hearing, all objections and suggestions shall be heard, and the Council shall take such action as it shall deem proper in the premises.

Section 7.09. Award of 1993 Bond. The Mayor is hereby authorized and directed to cause the Series 1993 Bond R-1 as described herein to be delivered to and they are hereby awarded to the Government.

Section 7.10. Notices. Any notices which are given or required to be given shall be by certified mail, return receipt requested to the below address or such other address as the City shall designate in writing:

City of Spencer
City Hall
Attn: Mayor
Spencer, WV 25276

Passed on First Reading February 17, 1993.

Passed on Second and Final Reading February 24, 1993.

Effective on Second and Final Reading following public hearing above described held March 11, 1993.

THE CITY OF SPENCER,
WEST VIRGINIA

By _____
Mayor

(SEAL)

ATTEST:

By Charles R Mace
Recorder

STATE OF WEST VIRGINIA,

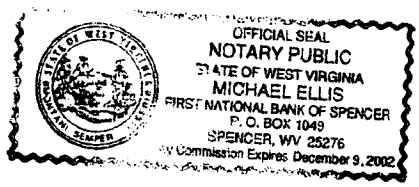
COUNTY OF ROANE, TO-WIT:

The foregoing instrument was acknowledged before me this 18 day of March, 1993 by Terry A. Williams the Mayor of the City of Spencer, as the true act and deed of the City.

(AFFIX SEAL)

Michael Ellis
NOTARY PUBLIC

My commission expires Dec 9 2002.



$885,000
CITY OF SPENCER
WATER REVENUE BOND, SERIES 1998

BOND ORDINANCE

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CITY OF SPENCER

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF MUNICIPAL PROPERTIES AND ISSUANCE OF PARITY WATER REVENUE BOND, SERIES 1998, OF THE CITY OF SPENCER, IN THE AMOUNT OF $885,000, TO FINANCE THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS TO A PUBLIC WATER SYSTEM; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BOND; PROVIDING FOR INTERIM CONSTRUCTION FINANCING; PLACING LIMIT ON SALE OF SYSTEM; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES AND SECURITY OF THE HOLDER OF THE BOND; PROVIDING STATUTORY LIEN ON REVENUES AND SYSTEM; PROVIDING FOR THE ADOPTION, RATIFICATION, APPROVAL AND COLLECTION OF RATES AND CHARGES FOR THE PUBLIC WATER SYSTEM; AND PROVIDING GENERAL TERMS AND PROVIDING WHEN THIS ORDINANCE SHALL TAKE EFFECT.

BE IT ORDAINED AND ENACTED BY THE COUNCIL OF CITY OF SPENCER, WEST VIRGINIA:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Ordinance. This Ordinance is adopted pursuant to the provisions of Article 19, Chapter 8 of the West Virginia Code, as amended (the "Act") and other applicable provisions of law.

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

A. City of Spencer (the "City" or "Issuer") is a municipal corporation and political subdivision of the State of West Virginia located in Roane County, West Virginia.

B. The Issuer now has a public water system and desires to improve and expand that system and it is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the Issuer and, accordingly, it is hereby ordered, that there be acquired and constructed certain additions, betterments and improvements to the existing public water system of the Issuer known as the "System" (sometimes referred to herein as the "System") so as to improve the public health, comfort and convenience of residents of the City, including the construction and installation of all necessary appurtenant facilities (the "Project"), and generally described as water line extensions, pumps, pumping stations, water plant improvements and necessary appurtenances particularly described in and according to the plans and specifications prepared by the Consulting Engineer for the Project and heretofore filed in the

office of the Recorder of the City Council (the "Governing Body") of the Issuer. The construction and acquisition of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

C. It is necessary for the Issuer to issue its revenue bond in the aggregate principal amounts of $885,000 to finance a portion of the costs of such construction in the manner hereinafter provided.

D. The estimated maximum cost of the construction of the Project is $1,500,000, which will be obtained from the proceeds of sale of the Series 1998 Bond herein authorized and from grants to be made by RUS, as hereinafter defined, and by the Appalachian Regional Commission, in the amounts of $115,000 and $500,000, respectively. The cost of such construction shall be deemed to include, without being limited to, the construction or acquisition of the Project, the acquisition of any necessary property, real or personal, or any interest therein; interest on the Bond prior to, during and for six (6) months after completion of such construction to the extent that revenues of the System are not sufficient therefor; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; and such other expenses as may be necessary or incidental to the construction of the Project and the financing authorized hereby.

E. The period of usefulness of the System after completion of the Project is not less than forty (40) years.

F. There are currently outstanding the obligations of the Issuer with which the Bond will rank on a parity as to lien and source of and security for payment as follows:

(i) Waterworks Revenue Bonds of the Issuer, dated January 1, 1970 (the "1970 Bond") issued in the original principal amount of $1,013,000 secured under the terms of the 1970 Ordinance (hereinafter defined);

(ii) Waterworks System Bond of the Issuer, dated September 30, 1974 (the "1974 Bond") issued in the original principal amount of $765,000 secured under the terms of the 1974 Ordinance (hereinafter defined);

(iii) Water Revenue Bond of the Issuer, dated December 9, 1991 (the "1991 Bond") issued in the original principal amount of $365,000 secured under the terms of the 1991 Ordinance (hereinafter defined); and

(iv) Water Revenue Bond of the Issuer, dated March 18, 1993 (the "1993 Bond") issued in the original principal amount of $300,000 secured under the terms of the 1993 Ordinance (hereinafter defined.

With the exception of the Bonds described above, there are no other outstanding bonds or

obligations of the Issuer which will rank prior to or on a parity with the Bond as to lien, pledge and/or source of and security for payment.

G. The Issuer is not in default under the terms of the 1970 Ordinance, the 1974 Ordinance, the 1991 Ordinance and the 1993 Ordinance or any document in connection therewith, and has complied with all requirements of all the foregoing with respect to the issuance of parity bonds or has obtained a sufficient and valid waiver thereof.

H. The estimated revenues to be derived in each year from the operation of the System after completion of the Project will be sufficient to pay all the costs of the operation and maintenance of the System, the principal of and interest on the Bond (as hereinafter defined) and all debt service, reserve fund and other payments provided for herein.

I. The Issuer has complied with all requirements of West Virginia law relating to authorization of the construction, acquisition and operation of the Project and issuance of the Bond, or will have so complied prior to issuance of the Bond including, among other things, the imposition of rates and charges, the consent and approval, pursuant to the Act, of the issuance of the Bond by the Public Service Commission of West Virginia by final order.

J. It is in the best interests of the Issuer that the Bond be sold to the United States Department of Agriculture, Rural Utilities Service, acting on behalf of the Rural Utilities Service, successor in interest to the Farmers Home Administration (the "Purchaser" or "RUS"), pursuant to the terms and provisions of a letter of conditions dated October 27, 1994, and all amendments thereto (the "Letter of Conditions").

K. The Issuer has also made arrangements for interim financing as requested by RUS and deems it to be in the best interests of the Issuer to enter into a Credit Agreement and execute a note or notes in the initial amount of $300,000 payable to any interim construction or financing lender which lender is initially First National Bank of Spencer.

Section 1.03. Ordinance to Constitute Contract. In consideration of the acceptance of the Bond by the Purchaser, this Ordinance (the "Ordinance") shall be deemed to be and shall constitute a contract between the Issuer and the Purchaser, and the covenants and agreements set forth herein to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owner of the Bond.

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

"Act" means Article 19, Chapter 8 of the West Virginia Code, as amended.

"1998 Bond", "1998 Series Bond" or "Bond" means the $885,000, City of Spencer Water Revenue Bond, Series 1998, authorized by this ordinance.

"Bonds" means the Bond and the 1970 Bond, the ~~1974~~ Bond, the 1991 Bond and the 1993 Bond.

"1970 Bond" means the outstanding bond of the Issuer dated January 1, 1970, described in Section 1.02 F.(i) herein.

"1974 Bond" means the outstanding bond of the Issuer dated September 30, 1974, described in Section 1.02 F.(ii) herein.

"1991 Bond" means the outstanding bond of the Issuer dated December 9, 1991, described in Section 1.02 F.(iii) herein.

"1993 Bond" means the outstanding bond of the Issuer dated March 18, 1993, described in Section 1.02 F.(iv) herein.

"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 Engineer" means Boyles and Hildreth, Spencer, West Virginia, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the Issuer as Consulting Engineer for the System.

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

"Depository Bank" means initially the First National Bank of Spencer, Spencer, West Virginia, a bank or trust company which is a member of FDIC and its successors and assigns or such other qualified bank or trust company designated now or hereafter by Issuer.

"Facilities" or "water facilities" means all the land and tangible properties of the System and also any tangible properties which may hereafter be added to the water system by addition, betterments, extensions and improvements thereto and properties, furniture, fixtures or equipment therefor, hereafter at any time constructed or acquired.

"FDIC" means the Federal Deposit Insurance Corporation.

"Fiscal Year" means each year beginning on July 1 and ending on the succeeding June 30.

"Governing Body" means the City Council of the Issuer.

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

"Herein" means in this Ordinance.

"Holder of the Bond" or any similar term means any person who shall be the registered owner of the Bond.

"Issuer" or "City" means City of Spencer, Roane County, West Virginia, and, where appropriate, also means the Governing Body.

"Letter of Conditions" means the Letter of Conditions of Farmers Home Administration, now known as RUS, dated October 27, 1994, and any other amendments thereto.

"Mayor" means the Mayor of the Governing Body.

"Net Revenues" means the balance of the gross revenues, as defined below, remaining after deduction only of Operating Expenses, as defined below.

"Operating Expenses" means the current expenses, paid or accrued, of operation and maintenance of the System and its facilities, and includes, without limiting the generality of the foregoing, insurance premiums, salaries, wages and administrative expenses of the Issuer relating and chargeable solely to the System, the accumulation of appropriate reserves for charges not annually recurrent but which are such as may reasonably be expected to be incurred, and such other reasonable operating costs as are normally and regularly included under recognized accounting practices, and retention of a sum not to exceed one-sixth of the budgeted operating expenses stated above for the current year as working capital, and language herein requiring payment of operating expenses means also retention of not to exceed such sum as working capital, provided that all monthly amortization payments upon the Bond and into the Reserve Fund and Depreciation Reserve have been made to the last monthly payment date prior to the date of such retention.

"Ordinance" means this Ordinance and all resolutions supplemental hereto.

"1970 Ordinance" means the ordinance providing for the 1970 Bond, adopted March 7, 1970.

"1974 Ordinance" means the ordinance providing for the 1974 Bond, adopted September 30, 1974.

"1991 Ordinance" means the ordinance providing for the 1991 Bond, adopted December 9, 1991.

"1993 Ordinance" means the ordinance providing for the 1993 Bond, adopted March 11, 1993, supplemented by resolution dated March 11, 1993.

"Project" shall have the meaning stated in Section 1.02 B. above.

"Purchaser", "RUS", "Rural Utilities Service", or "Government" means United States of America, United States Department of Agriculture, Rural Utilities Service, and any successor

thereof.

"Qualified Investments" means and include 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 evidence of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;

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

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

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

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

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

(i) Obligations of states or political subdivisions or agencies thereof, the interest on which is excluded from gross income for federal income tax purposes, and which are rated at least "A" by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

"Recorder" means the Recorder of the Governing Body.

"Registrar" or "Bond Registrar" means the Issuer which usually shall act by its Recorder.

"Revenues" or "gross revenues" means all rates, rents, fees, charges or other income received by the Issuer, or accrued to the Issuer or any department, board, agency or instrumentality thereof in control of the management and operation of the System, from the operation of the System, and all parts thereof, all as calculated in accordance with sound accounting principles.

"System" means the Project initially, and all existing water facilities owned by the Issuer and all Facilities and other property of every nature, real or personal, now or hereafter acquired and/or owned, held or used in connection with the System, including mains, hydrants, meters, valves, standpipes, storage tanks, pump tanks, pumping stations, intakes, wells, impounding reservoirs, pumps, machinery, purification plants, softening apparatus and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to a public water system; and shall also include any and all additions, extensions, improvements, replacements, properties or other facilities at any time acquired or constructed for said water system after completion of the Project.

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

Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations; words importing the masculine, feminine or neuter genders shall include any other gender; and any requirement for execution, sealing and/or attestation of the Bonds or any certificate or other document by the Recorder shall mean that such Bond certificate or other document may be executed, sealed and/or attested by an Acting Recorder.

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 $1,500,000 in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Bond hereby authorized shall be applied as provided in Article V hereof.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUANCE OF BOND

Section 3.01. Authorization of Bond. Subject and pursuant to the provisions hereof, the Bond of the Issuer to be known as "City of Spencer, Water Revenue Bond, Series 1998" in the principal amount of $885,000, is hereby authorized to be issued for the purpose of financing a portion of the cost of the construction and acquisition of the Project.

Section 3.02. Description of Bond. The Bond shall be issued as a single registered form, No. R-l, and shall be dated on the date of delivery. The Bond shall bear interest from date, payable monthly at a maximum rate of four and one half percent (4.50%) per annum or such lower rate that RUS, will make available at closing, and shall be sold for the par value thereof but in no event greater than four and one half percent (4.50%) per annum.

The Bond shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer and shall be payable as provided in the Bond form hereinafter set forth.

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

Section 3.04. Negotiability, Registration, Transfer and Exchange of Bond. The Bond shall be and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, but the Bonds may only be transferred by transfer of the registration thereof upon the books required to be kept pursuant to Section 3.05 hereof, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Registrar. No interest in the Bond shall be transferable except by means of transfer of registration of a Bond representing such interest and delivery of a new Bond or Bonds in exchange therefor in accordance with this Bond Ordinance.

Whenever the Bond shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond or Bonds in authorized denominations, for a like aggregate principal amount. The Registrar shall require the payment by the new owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, but the Issuer shall pay any other expenses incurred by the Registrar with respect to such transfer.

No registration of transfer of the Bond shall be permitted to be made after the 15th day next preceding any installment payment date on that Bond.

Section 3.05. Registrar. The Issuer shall be the Bond Registrar and will keep or cause to be kept by its agent at its office, sufficient books for the registration and transfer of the Bond, and upon presentation for such purpose, the Registrar shall, under such reasonable regulations as it may prescribe, register the Bond initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Bond as hereinbefore provided.

The Registrar shall accept the Bond for registration or transfer only if ownership thereof is to be registered in the name of an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or social security numbers of the settlor and beneficiaries of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any of the Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his, her or its ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Bond so surrendered shall be canceled and held for the account of the Issuer. If the Bond shall have matured or be about to mature, instead of issuing a substitute Bond the Issuer may pay the same, and if such Bond be destroyed, stolen or lost, without surrender thereof.

Section 3.07. Bond Secured by Pledge of Revenues. The payment of the debt service of

the Bond shall be secured forthwith by a parity lien with the 1970 Bond, the 1974 Bond, the 1991 Bond and the 1993 Bond on the net revenues derived from the System in addition to the statutory mortgage lien on the System hereinafter provided for. The net revenues derived from the System in an amount sufficient to pay the principal of and interest on the Bond, and to make the payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Bond as the same become due.

Section 3.08. Form of Bond. Subject to the provisions hereof, the text of the Bond and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted hereby or any supplemental resolution adopted after the date of adoption hereof and prior to the issuance thereof:

(FORM OF BOND)

$885,000

CITY OF SPENCER

WATER REVENUE BOND, SERIES 1998

No. R-1

Date: May __, 1998

FOR VALUE RECEIVED, the CITY OF SPENCER, a municipal corporation and political subdivision of the State of West Virginia, in Roane County of said State (herein called "Issuer"), hereby promises to pay to the order of the United States of America (the "Government"), or its registered assigns at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of Eight Hundred Eighty-Five Thousand and 00/100 Dollars ($885,000.00), plus interest on the unpaid principal balance at the rate of four and one half percent (4.5%) per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing on the 30th day following delivery of the Bond and continuing on the corresponding day of each month for the first twenty-four (24) months after the date hereof, and $4,063.00 covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of forty (40) years from the date of this Bond, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Issuer as requested by Issuer and approved by the Government, and interest shall accrue on the amount of each advance from its actual date as shown on the Record of Advances attached hereto and made a part hereof.

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to the principal. Payments shall be made at the office of the Municipal Bond Commission, Charleston, West Virginia, and shall be mailed to the registered owner hereof at the address as it appears on the books of the Issuer in its capacity as Registrar. Provided, however, for so long as the Government remains the owner of this Bond, the Issuer shall remit payments directly to the Government or any agency or department thereof.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Issuer. Refunds and extra payments, as defined in the regulations of the Rural Utilities Service, according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of Issuer to pay the remaining installments as scheduled herein.

If the Government at any time assigns this Bond and insures the payment thereof, Issuer shall continue to make payments to the Government as collection agent for the holder.

While this Bond is held by an insured lender, prepayments as above authorized made by Issuer may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Issuer, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Issuer, and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security herefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Issuer to the Government without demand. Issuer agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

Issuer hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of construction of improvements to a water system (the "System") of the Issuer, is payable solely from the revenues to be derived from the operation of the System after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Bond does not in any manner constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of the Issuer, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the herein defined Bond Legislation, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of authorized denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

This Bond, under the provisions of the Act, is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may only be transferred by transfer of registration hereof with the Bond Registrar.

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Article 19 of Chapter 8 of the West Virginia Code (herein called the "Act").

If at any time it shall appear to the Government that Issuer may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, Issuer will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government,

This Bond is given as evidence of a loan to Issuer made or insured by the Government pursuant to the Consolidated Farmers Home Rural Development Act, as amended. This Bond shall be subject to the present regulations of the Rural Development Authority and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ON A PARITY AS TO LIEN AND SOURCE OF PAYMENT WITH THE WATERWORKS REVENUE BONDS, SERIES 1970, WATERWORKS SYSTEM BOND, SERIES 1974, WATER REVENUE BOND, SERIES 1991, AND WATER REVENUE BOND, SERIES 1993 OF THE ISSUER DESCRIBED IN THE ORDINANCE ADOPTED WITH RESPECT TO EACH SERIES.

The initial address of Government for purposes of bond registration is P.O. Box 678, Morgantown, WV 26505.

IN WITNESS WHEREOF, the CITY OF SPENCER has caused this Bond to be executed by its Mayor and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Recorder, all as of the date hereinabove written.

(SEAL)

CITY OF SPENCER

By: _____
Mayor
207 Court Street
Spencer, WV 25276

ATTEST:

By: _____
Recorder

(Form Of)

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) $		(6) $	
(2) $		(7) $	
(3) $		(8) $	
(4) $		(9) $	
(5) $		(10) $	

TOTAL $ _____

(Form of Assignment)

ASSIGNMENT

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

DATED: _____.

_____

In the presence of:

_____

ARTICLE IV

INTERIM CONSTRUCTION FINANCING

Section 4.01. Authorization and General Terms. In order to pay certain costs of the Project pending receipt of the gross proceeds of the Bond, the Issuer may issue and sell its Note or Notes (the "Notes"), in an aggregate principal amount not to exceed $885,000. The Notes may be issued as evidence of a line of credit from a commercial bank or other lender, at the discretion of the Issuer, and as shall be set forth in a resolution supplemental hereto. The Notes shall bear interest from the date or dates, at such rate or rates, payable on such date or dates and shall mature on such date or dates and be subject to such prepayment or redemption, all as provided in the supplemental resolution.

Section 4.02. Terms of and Security for Notes. The Notes, if issued, shall be issued with such terms and secured in the manner set forth in a supplemental resolution.

Section 4.03. Notes are Special Obligations. The Notes shall be special obligations of the Issuer payable as to principal and interest solely from the proceeds of the Bond, grant proceeds, surplus revenues, letter of credit proceeds, if any, and other sources. The Notes do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions. The general funds of the Issuer are not liable and neither the full faith and credit nor the taxing power, if any, of the Issuer is pledged for the payment of the Notes. The holders of the Notes shall never have the right to compel the forfeiture of any property of the Issuer. The Notes shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except as set forth in the supplemental resolution.

Section 4.04. Execution of Documents. The Notes, Credit Agreement and any other documents required to be executed by the commercial bank or other lender shall be executed in the name of the Issuer by the Mayor, and the Mayor and Recorder are hereby authorized to execute any Note, Notes, Credit Agreement or any other documents necessary to secure the interim financing.

ARTICLE V

REVENUES AND APPLICATION THEREOF; DISPOSITION OF BOND PROCEEDS; FUNDS AND ACCOUNTS

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created and established with (or continued if previously established by the 1970 Ordinance), and shall be held by the Depository Bank, separate, distinct and apart from all other funds or accounts of the Depository Bank and from each other:

(1) Revenue Fund (established by the 1970 Ordinance and continued hereby);

(2) Project Construction Account;

(3) Operation and Maintenance Fund (established by the 1970 Ordinance and continued hereby); and

(4) Depreciation Fund (established by the 1970 Ordinance and continued hereby).

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

(1) Series 1998 Bond Sinking Fund;
(a) Within the Series 1998 Bond Sinking Fund, the Reserve Account.

Section 5.03. Bond Proceeds; Project Construction Account. All moneys received from the sale of the Bond shall be deposited upon receipt by the Issuer in the Depository Bank, a member of Federal Deposit Insurance Corporation (FDIC), in a special account hereby now established and designated as "City of Spencer Water System Construction Account (herein called the "Project Construction Account"). The moneys in the Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by such bank by securities or in a manner lawful for the securing of deposits of state and municipal funds under West Virginia law. Moneys in the Project Construction Account shall be expended by the Issuer solely for the purposes provided herein.

Until completion of the construction of the Project, the Issuer will transfer from the Project Construction Account and pay to the Purchaser on or before the due date, such sums as shall be from time to time required to make the monthly installment payments on the Bond if there are not sufficient Net Revenues to make such monthly payment.

If the Issuer shall determine at any time that all funds on deposit in the Project Construction Account exceed the estimated disbursements on account of the Project for the ensuing ninety (90) days, the Issuer may invest such excess funds in Qualified Investments.

Pending application as provided in this Section 5.03, money and funds in the Project Construction Account shall be invested and reinvested at the direction of the Issuer, to the extent possible in accordance with applicable law, in Qualified Investments.

When construction of the Project has been completed and all costs thereof have been paid or provision for such payment has been made, any balance remaining in the Project Construction Account shall be promptly transmitted to the Commission with directions that such funds be used immediately to redeem or prepay the 1998 Bond from which construction account the funds derived.

Section 5.04. Covenants of the Issuer as to Revenues and Funds. So long as any of the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 1998 Bond Sinking Fund and the Reserve Account, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Bond remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the holder of the Bond as follows:

(A) Revenue Fund. The entire Gross Revenues derived from the operation of the System, and all parts thereof, and all Tap Fees received, shall be deposited as collected by the Issuer in a special fund in a bank or trust company in the State of West Virginia which is a member of FDIC, which Fund, known as the "Revenue Fund" originally established under the 1970 Ordinance and which is hereby continued hereunder with the Depository Bank. The Revenue Fund shall constitute a trust fund for the purposes provided herein and shall be kept separate and distinct from all other funds of the Issuer and used only for the purposes and in the manner provided herein.

(B) Disposition of Revenues. All Revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority:

(1) The Issuer shall first each month deposit sufficient moneys from the Revenue Fund into the Operation and Maintenance Fund to pay all current Operating Expenses.

(2) The Issuer shall next, each month, on or before the due date of payment of each installment on the Bonds, transfer from the Revenue Fund and deposit into the Series 1998 Bonds Sinking Fund, if the Bond is no longer owned by RUS, or remit to the holder of the Bond if still held by RUS at the address designated and/or the National Finance Office designated in the Bond (or such other place as may be provided pursuant to the Bond), the amount required to pay the interest on the Bonds, and to amortize the principal of the Bonds over the lives of each Bond issue. All payments with respect to principal of and interest the Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(3) The Issuer shall next, on each date that payment is made as set forth in (2) above, transfer from the Revenue Fund and remit to the Commission for deposit in the Reserve Account herein created 1/12th of 1/10th of the amount, as of the date of calculation, equal to the maximum aggregate amount of principal and interest which will become due on the Bonds in any year until the amount on deposit in the Reserve Account equals such maximum amount (the "Reserve Requirement"). After the Reserve Requirement has been accumulated in the Reserve Account, the Issuer shall monthly deposit into the Reserve Account such part of the moneys remaining in the Revenue Fund, after such provision for payment of monthly installments on the Bonds and for payment of Operating Expenses of the System, as shall be required to maintain the Reserve Requirement. Moneys in the Reserve Account shall be used solely to make up any deficiency in monthly payments of the principal of and interest on the Bonds as the same shall become due or

for prepayment of installments on the Bonds, or for mandatory prepayment of the Bonds as hereinafter provided, and for no other purpose, on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(4) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, moneys remaining therein and not permitted to be retained therein, if any ("Surplus Revenues"), may be used to prepay installments of the Bonds, pro rata, or for any lawful purpose.

Whenever the money in the Reserve Account shall be sufficient to prepay the Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Bonds at the earliest practical date and in accordance with applicable provisions hereof.

The Commission is hereby designated as the Fiscal Agent for the administration of the Series 1998 Bond Sinking Fund and the Reserve Account, and the Depository Bank is hereby designated as the Fiscal Agent for the administration of the other accounts, herein provided, and all amounts required for the Reserve Account and the other accounts will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein, together with written advice stating the amount remitted for deposit into each such fund.

All the funds provided for in this Section shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien thereon for further securing payment of the Bonds and the interest thereon, but the Commission and the Depository Bank shall not be a trustee as to such funds.

If on any payment date the Revenues are insufficient to make the payments and transfers as hereinabove provided, the deficiency shall be made up in the subsequent payments and transfers in addition to those which would otherwise be required to be made on the subsequent payment dates.

The Commission and the Depository Bank, at the direction of the Issuer, shall keep the moneys in the Reserve Account and the Depreciation Fund, respectively, invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities consonant with the required use thereof. Investments in any fund or account under this Bond Ordinance shall, unless otherwise provided herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia State Board of Investments. 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 interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account.

(C) Change of Depository Agent and Fiscal Agent. The Issuer may designate another bank or trust company insured by FDIC as Fiscal Agent and Depository Bank if the aforesaid Bank should cease for any reason to serve or if the Governing Body determines by ordinance that said Bank or its successor should no longer serve as Fiscal Agent or Depository Bank. Upon any such change, the Governing Body will cause notice of the change to be sent by registered or certified mail to the Purchaser.

(D) User Contracts. The Issuer shall, prior to delivery of the Bond, provide evidence that there will be 1,917 bona fide users of the proposed System when the extension of the System is completed and placed in operation and must obtain user agreements and the user contribution from each new user and deposit in the Project Construction Account all such new user contributions collected.

(E) Charges and Fees. The Issuer shall remit from the Revenue Fund to the Commission and to the Depository Bank such additional sums as shall be necessary to pay the charges and fees of the Commission and the Depository Bank then due.

(F) Investment of Excess Balances. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in any of such funds or accounts shall at all times be secured, to the full extent thereof in excess of such insured sum, in a lawful manner for securing deposits of state and municipal funds under the laws of the State.

(G) Remittances. All remittances made by the Issuer to the Commission and to the Depository Bank shall clearly identify the fund or account into which each amount is to be deposited.

(H) Gross Revenues. The Gross Revenues of the System shall only be used for purposes of the System.

ARTICLE VI

GENERAL COVENANTS

Section 6.01. General Statement. So long as the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Account a sum sufficient to prepay the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the Issuer and the Purchaser.

Section 6.02. Rates. The Issuer will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide revenues in each fiscal year sufficient to produce net revenues equal to not less than one hundred ten percent (110%) percent of the annual debt service on the Bond and to make the payments required herein into the Reserve

Account and the Depreciation Fund and all the necessary expenses of operating and maintaining the System during such fiscal year and such rates, fees and other charges shall not be reduced so as to be insufficient to provide adequate revenues for such purposes.

Section 6.03. Sale of the System. The System will not be sold without the prior written consent of the Purchaser so long as the Bonds are outstanding. Such consent will provide for disposition of the proceeds of any such sale.

Section 6.04. Issuance of Additional Parity Bonds or Obligations. No additional parity bonds or obligations payable out of the revenues of the System or any part thereof shall be issued after the issuance of the Bond pursuant hereto except with the prior written consent of the Purchaser or the then holder of or Trustee or agent for the holders of the Bonds.

Section 6.05. Insurance and Bond. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System, procure, carry and maintain, so long as the Bond remains outstanding, insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

(a) Real Property Insurance, to be procured upon acceptance of any part of the Project from the contractor, and immediately upon any portion of the System now in use, on all above-ground structures of the System in an amount equal to the full insurable value thereof. In the event of any damage to or destruction of any portion of the System, the Issuer will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damaged or destroyed portion. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the Issuer during construction of the Project in the full insurable value thereof.

(b) Public Liability Insurance, with limits of not less than $500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than $200,000 to protect the Issuer from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured not later than the date of delivery of the Bonds.

(c) Vehicular Public Liability Insurance, in the event the Issuer owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the Issuer is operated at any time or times for the benefit of the Issuer, with limits of not less than $500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than $200,000 to protect the Issuer from claims for damage to property of others which may arise from such operation of vehicles, such insurance to be procured prior to acquisition or commencement of operation of any such vehicle for the Issuer.

(d) Workers' Compensation Coverage for all Employees of the City Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of one hundred percent (100%) of the construction contract, will be required of each prime contractor, and such payment

bonds will be filed with the Clerk of the County Commission of Roane County prior to commencement of construction of the Project in compliance with West Virginia Code Section 38-2-39. Workers' compensation insurance will be maintained as required by the laws of the State of West Virginia.

(e) Fidelity Bonds will be provided as to every member of the Governing Body and every officer and employee of the City having custody of the Revenue Fund or of any revenues or other funds of the System in an amount at least equal to the total annual debt service requirements for all outstanding RUS loans.

(f) Flood Insurance to be procured, to the extent available at reasonable cost to the Issuer.

(g) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, during construction of the Project and so long as the Bond is outstanding, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer, and during such construction will require each contractor and subcontractor to carry insurance, of such types and in such amounts as the Purchaser may specify, with insurance carriers or bonding companies acceptable to the Purchaser.

Section 6.06. Statutory Mortgage. For the further protection of the holders of the Bond, 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 and shall take effect immediately upon delivery of the Bonds.

Section 6.07. Events of Default. Each of the following events is hereby declared an "Event of Default":

(A) Failure to make payment of any monthly amortization installment at the date specified for payment thereof and/or;

(B) Failure duly and punctually to observe or perform any of the covenants, conditions and agreements on the part of the Issuer contained in the Bond or herein, or violation of or failure to observe any provision of any pertinent law or of this Bond Ordinance.

Section 6.08. Enforcement. Upon the happening of any Event of Default specified above, then, and in every such case, the Purchaser may proceed to protect and enforce its rights by an appropriate action in any court of competent jurisdiction, either for the specific performance of any covenant or agreement, or execution of any power, or for the enforcement of any proper legal or equitable remedy as shall be deemed most effectual to protect and enforce such rights and shall have all rights prescribed by the Act, W.Va. Code and other applicable law.

Upon application by the Purchaser, such court may, upon proof of such default, appoint a receiver for the affairs of the Issuer and the System. The Receiver so appointed shall administer

the System on behalf of the Issuer, shall exercise all the rights and powers of the Issuer with respect to the System, shall proceed under the direction of the court to obtain authorization to increase rates and charges of the System, and shall have the power to collect and receive all revenues and apply the same in such manner as the court may direct.

Section 6.09. Fiscal Year; Budget. While the Bond is outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a fiscal year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than thirty (30) days prior to the beginning of each fiscal year, the Issuer agrees to adopt an Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such fiscal year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each fiscal year.

If for any reason the Issuer shall not have adopted an Annual Budget before the first day of any fiscal year, it shall adopt a Budget of Current Expenses from month to month until the adoption of an Annual Budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the year next preceding by more than ten percent (10%); and provided further, that adoption of a Budget of Current Expenses shall not constitute compliance with the covenant to adopt an Annual Budget unless failure to adopt an Annual Budget be for a reason beyond the control of the Issuer. Each such Budget of Current Expenses shall be mailed immediately to the Purchaser.

Section 6.10. Compensation of Members of Governing Body. The Issuer hereby covenants and agrees that no compensation for policy direction shall be paid to the members of the Governing Body in excess of the amount permitted by the Act. Payment of any compensation to any such member for policy direction shall not be made if such payment would cause the Net Revenues to fall below the amount required to meet all payments provided for herein, nor when there is default in the performance of or compliance with any covenant or provision hereof.

Section 6.11. Covenant to Proceed and Complete. The Issuer hereby covenants to proceed as promptly as possible with the construction of the Project to completion thereof in accordance with the plans and specifications prepared by the Consulting Engineer and on file with the Recorder on the date of adoption hereof, subject to permitted changes.

Section 6.12. Books and Records; Audits. 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 the Purchaser shall have the right at all reasonable times to inspect the System and all records, accounts and data of the Issuer relating thereto.

The Issuer shall, at least once a year, cause said books, records and accounts of the System to be properly audited by an independent competent firm of certified public accountants

and shall mail a copy of such audit report to the Purchaser. The Issuer further covenants to comply with the Act with respect to such books, records and accounts.

Section 6.13. Maintenance of System. The Issuer covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as the Bonds are outstanding.

Section 6.14. No Competition. To the extent legally allowable, the Issuer will not permit competition with the System within its boundaries or within the territory served by it and will not grant or cause, consent to or allow the granting of any franchise, permit or other authorization for any person, firm, corporation, public or private body, agency or instrumentality whatsoever to provide any of the services supplied by the System within the boundaries of the Issuer or within the territory served by the System.

Section 6.15. Tax Covenants as to Tax Exempt Status of Bonds.

1. The Issuer covenants that (a) it shall not permit or cause to be done any act or thing which would result in the loss of exemption from tax of interest on the Bond under Section 103(a) of the Internal Revenue Code and the regulations thereunder, or under any successor or similar provision of the Internal Revenue Code hereinafter enacted and applicable to the Bond and regulations thereunder; (b) it shall not invest or otherwise use or permit or cause to be invested or used, any of the proceeds of the Bond, or moneys deemed to be proceeds of the Bond under the Internal Revenue Code, directly or indirectly, in any manner which would result in such Bonds being classified as an "arbitrage bond" within the meaning of Section 148 of the Internal Revenue Service Code or regulations thereunder, and each shall comply with the requirements of such Section and (c) no part of the proceeds of the Bond or any funds held under the Ordinance shall at any time be used directly or indirectly for any purpose for which would cause the Bond to be subject to treatment as a "private activity bond" under the Internal Revenue Code or regulations thereunder and to that end the Issuer will comply with the applicable law as long as the Bond is outstanding.

2. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of ten percent (10%) of the Net Proceeds of the Bond are used for private business use if, in addition, the payment of more than ten percent (10%) of the principal or ten percent (10%) of the interest due on the Bond during the term thereof is, under the terms of the Bond or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a private business use or in payments in respect of property used or to be used for a private business use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a private business use, and that (ii) in the event that both (A) in excess of five percent (5%) of the Net Proceeds of the Bonds are used for a private business use, and (B) an amount in excess of five percent (5%) of the principal or five percent (5%) of the interest due on the Bond during the term thereof is, under the terms of the

Bond 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 the Issuer, in respect of property or borrowed money used or to be used for said private business use, then said excess over said five percent (5%) of Net Proceeds of the 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 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.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of five percent (5%) of the Net Proceeds of the Bonds 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 Bond to be "federally guaranteed" within the meaning of Section 149 (b) of the Code and Regulations promulgated thereunder.

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

E. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it (including those deemed necessary by the Holder) so that the interest on the Bond 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 those determined by the Holder) which would adversely affect such exclusion.

ARTICLE VII

RATES, RULES, COVENANTS, ETC.

Section 7.01. Initial Schedule of Rates and Charges.

A. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in a Tariff on file with the Public Service Commission effective August 5, 1996, which Tariff is incorporated herein by reference and is made a part hereof.

B. The Issuer hereby modifies and enacts to the extent necessary the rates and charges as set out in the above-referenced order and to be included on a tariff sheet to be filed with the Public Service Commission which rates and conditions are as follows:

RATE I (LOW LEVEL)

Applicable throughout entire service territory except such territories as served through Booster Stations.

Availability of Service

Available for general domestic, commercial, industrial service.

Rate

First	2,000	gallons used per month -$4.24 per 1,000 gallons
Next	3,000	gallons used per month -$4.09 per 1,000 gallons
Next	25,000	gallons used per month -$3.36 per 1,000 gallons
Next	70,000	gallons used per month -$1.36 per 1,000 gallons
All		
Over	100,000	gallons used per month -$1.23 per 1,000 gallons

Minimum Charge

No bill will be rendered for less than the following amounts, according to the size of the meter installed, to wit:

5/8 inch meter or less	$ 8.48 per month
3/4 inch meter	$ 12.71 per month
1 inch meter	$ 21.20 per month
1-1/4 inch meter	$ 30.94 per month
1-1/2 inch meter	$ 42.41 per month
2 inch meter	$ 67.83 per month
3 inch meter	$127.22 per month
4 inch meter	$212.04 per month
6 inch meter	$424.08 per month
8 inch meter	$678.53 per month

Delayed Payment Charge

The above tariff is net. On all current usage billings not paid in full within twenty (20) days, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate. No bill shall be considered delinquent any sooner than thirty (30) days from the billing date.

Service Connection Fee (Tap Fee)

Three hundred sixty-four dollars ($364.00).

Reconnection Charge

A reconnection charge of fifteen dollars ($15.00) shall be made to restore discontinued service.

RATE II (BOOSTER LEVEL)

Applicable to territory served by Spencer Plant through Booster Stations.

Availability of Service

Available for general domestic, commercial, industrial service.

Rate

First	2,000	gallons used per month -$4.66 per 1,000 gallons
Next	3,000	gallons used per month -$4.54 per 1,000 gallons
Next	25,000	gallons used per month -$3.70 per 1,000 gallons
Next	70,000	gallons used per month -$1.50 per 1,000 gallons
All Over	100,000	gallons used per month -$1.35 per 1,000 gallons

Minimum Charge

No bill will be rendered for less than the following amounts, according to the size of the meter installed, to wit:

5/8 inch meter or less	$ 9.32 per month
3/4 inch meter	$ 14.01 per month
1 inch meter	$ 23.31 per month
1-1/4 inch meter	$ 34.04 per month
1-1/2 inch meter	$ 46.62 per month
2 inch meter	$ 74.59 per month
3 inch meter	$139.87 per month
4 inch meter	$233.12 per month
6 inch meter	$466.24 per month
8 inch meter	$745.98 per month

Delayed Payment Charge

The above tariff is net. On all current usage billings not paid in full within twenty (20) days, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate. No bill shall be considered delinquent any sooner than thirty (30) days from the billing date.

Service Connection Fee (Tap Fee)

Three hundred sixty-four dollars ($364.00).

Reconnection Charge

A reconnection charge of fifteen dollars ($15.00) shall be made to restore discontinued service.

RATE III (RIPLEY ROAD LOW LEVEL AND ROUTE 119)

Applicable throughout U.S. Route 33 West, Steel Hollow Road, Nancy's Run Road and U.S. Route 119 South, Speed Road and Missouri Fork Road, except ones served through Booster Stations.

Availability of Service

Available for general domestic, commercial, industrial service.

Rate

First	2,000	gallons used per month -$8.56 per 1,000 gallons
Next	3,000	gallons used per month -$8.31 per 1,000 gallons
Next	25,000	gallons used per month -$7.81 per 1,000 gallons
Next	70,000	gallons used per month -$2.73 per 1,000 gallons
All		
Over	100,000	gallons used per month -$2.46 per 1,000 gallons

Minimum Charge

No bill will be rendered for less than the following amounts, according to the size of the meter installed, to wit:

5/8 inch meter or less	$ 17.11 per month
3/4 inch meter	$ 25.67 per month
1 inch meter	$ 42.78 per month
2 inch meter	$136.88 per month
3 inch meter	$256.65 per month

Delayed Payment Charge

The above tariff is net. On all current usage billings not paid in full within twenty (20) days, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate. No bill shall be

considered delinquent any sooner than thirty (30) days from the billing date.

Service Connection Fee (Tap Fee)

Three hundred sixty-four dollars ($364.00).

Reconnection Charge

A reconnection charge of fifteen dollars ($15.00) shall be made to restore discontinued service.

RATE IV (RIPLEY ROAD PROJECT BOOSTER LEVEL)

Applicable throughout U.S. Route 33 West, Steel Hollow Road, Nancy's Run Road and Colt Ridge Road served by Spencer Plant through Booster Stations.

Availability of Service

Available for general domestic, commercial, industrial service.

Rate

First	2,000	gallons used per month -$9.42 per 1,000 gallons
Next	3,000	gallons used per month -$9.18 per 1,000 gallons
Next	25,000	gallons used per month -$8.37 per 1,000 gallons
Next	70,000	gallons used per month -$3.04 per 1,000 gallons
All		
Over	100,000	gallons used per month - $2.70 per 1,000 gallons

Minimum Charge

No bill will be rendered for less than the following amounts, according to the size of the meter installed, to wit:

5/8 inch meter or less	$ 18.84 per month
3/4 inch meter	$ 28.26 per month
1 inch meter	$ 47.10 per month
2 inch meter	$150.72 per month
3 inch meter	$282.60 per month

Delayed Payment Charge

The above tariff is net. On all current usage billings not paid in full within twenty (20) days, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate. No bill shall be

considered delinquent any sooner than thirty (30) days from the billing date.

Service Connection Fee (Tap Fee)

Three hundred sixty-four dollars ($364.00).

Reconnection Charge

A reconnection charge of fifteen dollars ($15.00) shall be made to restore discontinued service.

PRIVATE FIRE PROTECTION SERVICE

Applicable in entire territory served by the Spencer Plant.

Availability of Service

Available for private fire protection service.

Rate

Where connections, hydrants, sprinklers, etc., on private property are maintained by consumer.

2 inch Service Line with hydrants, sprinklers and/or hose connections - $3.06 per month
3 inch Service Line with hydrants, sprinklers and/or hose connections - $3.68 per month
4 inch Service Line with hydrants, sprinklers and/or hose connections - $4.91 per month
6 inch Service Line with hydrants, sprinklers and/or hose connections - $11.04 per month
8 inch Service Line with hydrants, sprinklers and/or hose connections - $19.62 per month
10 inch Service Line with hydrants, sprinklers and/or hose connections - $30.65 per month
12 inch Service Line with hydrants, sprinklers and/or hose connections - $44.14 per month

Where connections and hydrants on private property are maintained by City:
Each fire hydrant----------$12.77 per month

These terms are payable monthly in advance

Prompt Payment Discount

The above schedule is subject to a discount of five percent (5%) if accounts are paid in full at the office of the City on or before twenty (20) days from date of bill.

Section 7.02. Further Covenants

The Issuer hereby further covenants and agrees as follows:

A. There shall not be any discrimination or differential in rates between customers in similar circumstances.

B. The Issuer may require any applicant for any service by the System to deposit a reasonable and equitable amount to insure payment of all charges for the services rendered by the System, which deposit shall be handled and disposed of under the applicable rules and regulations of the Public Service Commission of West Virginia.

C. The Issuer, to the extent permitted by law, will not accept payment of any water bill from a customer served with water and sewer services by the Issuer without payment at the same time of a sewer bill owed by such customer for the same premises.

D. All delinquent fees, rates and charges for services or facilities of the System shall be liens on the premises served of equal degree, rank and priority with the lien on such premises of state, county, school and municipal taxes, as provided in the Act. The Issuer shall have such remedies and powers as are provided under the Act and other applicable provisions of law with regard to the collection and enforcement of such fees, rates and charges.

E. The Issuer will not render or cause to be rendered any free services of any nature by the System nor any of the facilities; and in the event that the Issuer or any department, agency, officer or employee thereof should avail itself or themselves of the services or facilities of the System, the same fees, rates and charges applicable to other customers receiving like services under similar circumstances shall be charged, such charges shall be paid as they accrue, and revenues so received shall be deposited and accounted for in the same manner as other Revenues of the System.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Defeasance of Bond. If the Issuer shall pay or there shall otherwise be paid, to the Holder of the Bond, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Ordinance, then with respect to the Bond, the pledge of Net Revenues and other moneys and securities pledged under this Bond Ordinance and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Bond, shall thereupon cease, terminate and become void and be discharged and satisfied.

Section 8.02. Filing Under Uniform Commercial Code. Contemporaneously with the delivery of the Bond, the Issuer shall execute Financing Statements meeting the requirements of the Uniform Commercial Code of West Virginia and promptly thereafter shall file such Financing Statements in the offices of the Secretary of State of West Virginia and of the Clerk of the County Commission of Roane County.

Section 8.03. Delivery of Bond. The Mayor and Recorder of the Governing Body are hereby authorized and directed to cause the Series 1998 Bond, numbered R-l, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

Section 8.04. Severability of Invalid Provision. If any one or more of the covenants, agreements or provisions hereof should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions hereof, and shall in no way affect the validity of all the other provisions hereof or the Bonds.

Section 8.05. Conflicting Provisions Repealed. All ordinances and orders, or parts thereof, in conflict with the provisions hereof are, to the extent of such conflicts, hereby repealed; provided that this Section shall not be applicable to the Loan Ordinance (Form FmHA 442-47).

Section 8.06. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 8.07. Modification or Amendment. The Bond Ordinance may not be modified or amended in any material manner after final passage without the prior written consent of the Purchaser and/or holder of the Bond.

Section 8.08. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Ordinance do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State applicable thereto; and that the Mayor, 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 8.09. Supplemental Resolutions. The Issuer may pass such supplemental resolutions, if necessary, to effectuate the purposes and intent of this Ordinance.

Section 8.10. Effective Time. This Ordinance shall take effect immediately upon its adoption.

Section 8.11 Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Bond Ordinance determined by the Governing Body to contain sufficient information as to give notice of the contents hereof shall be published once a week for two (2) successive weeks within a period of ten (10) consecutive days, with at least six (6) full days intervening between each publication, in a qualified newspaper published and of general circulation in the City of

Spencer, together with a notice stating that this Bond Ordinance has been adopted and that the Issuer contemplates the issuance of the Bond, and that any person interested may appear before the City Council upon a date certain, not less than ten (10) days subsequent to the date of the first publication of such abstract of this Bond Ordinance and notice, and present protests, and that a certified copy of the Ordinance is on file with the Governing Body for review by interested persons during office hours of the Governing Body. At such hearing, all objections and suggestions shall be heard, and the Governing Body shall take such action as it shall deem proper in the premises.

Passed on First Reading – April 30, 1998.

Passed on Second Reading – May 7, 1998.

Passed on Final Reading
Following Public Hearing – June 4, 1998.

CITY OF SPENCER

By: _____
Mayor

[SEAL]

Attest:

By: _____
Recorder

CERTIFICATION —

I, David Bowen, Recorder of the City of Spencer, hereby certify that the foregoing is a true and correct copy of an Ordinance approved on second reading at a meeting of the City Council of the City of Spencer held on May 7, 1998, and considered at a public hearing held on June 4, 1998. I further hereby certify that the action of said City Council set forth therein remains in full force and effect and has not been amended or repealed.

WITNESS my signature on this 5th day of June 1998.

David Bowen

Recorder

STATE OF WEST VIRGINIA,

COUNTY OF ROANE, to-wit:

The foregoing instrument was acknowledged before me this 5th day of June, 1998, by Terry A. Williams, the Mayor of the City of Spencer, a municipal corporation and a political subdivision of the State of West Virginia, on behalf of said municipality.

My commission expires November 9 2007.

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
ELENEVA K. SOUTHALL
CITY OF SPENCER
207 COURT STREET
SPENCER, WV 25276
My Commission Expires November 9, 2007

Eleneva K. Southall
NOTARY PUBLIC

CITY OF SPENCER, WEST VIRGINIA

BOND ORDINANCE

ORDINANCE AUTHORIZING THE CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS FOR THE PUBLIC WATER SYSTEM OF THE CITY OF SPENCER, WEST VIRGINIA; AND THE FINANCING OF A PORTION OF THE COST THEREOF THROUGH THE ISSUANCE BY THE CITY OF NOT TO EXCEED $415,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BOND, SERIES 2009, FOR THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF THE PUBLIC WATER SYSTEM THROUGH FINANCING TO BE OBTAINED BY THE CITY AT A COST ESTIMATED TO BE APPROXIMATELY $2,522,000; WITH BOND PROCEEDS TO BE USED, ALONG WITH OTHER FUNDS AND MONEYS OF, OR AVAILABLE TO, THE CITY OF SPENCER WHICH MAY BE LAWFULLY EXPENDED FOR SUCH PURPOSES, AND TO PAY OTHER COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE OWNER OF SUCH BOND; PLEDGING NET REVENUES, ON A PARITY BASIS, AS SECURITY FOR THE BOND; PLACING LIMITATION ON SALE OF SYSTEM; AND AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BOND AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT ORDAINED AND ENACTED BY THE COUNCIL OF THE CITY OF SPENCER:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

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

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

A. The City of Spencer (the "Issuer") is a municipal corporation and political subdivision of the State of West Virginia in Roane County.

B. The Issuer now has a public water system and desires to improve and expand that system and it is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the Issuer and, accordingly, it is hereby ordered, that there be acquired and constructed certain additions, betterments and improvements to the existing public water system of the Issuer known as the "System" (sometimes referred to herein as the "System") so as to improve the public health, comfort and convenience of residents of the City, including the construction and installation of all necessary appurtenant facilities (the "Project"),

and generally described as water line extensions, pumps, pumping stations, water plant improvements and necessary appurtenances particularly described in and according to the plans and specifications prepared by the Consulting Engineer for the Project and heretofore filed in the office of the Recorder of the City Council (the "Governing Body") of the Issuer. The construction and acquisition of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

C. The estimated revenues being and to be derived in each year from the Project and the System will be sufficient to pay the costs of said System, the principal of and interest on the Bonds and all sinking funds, reserve accounts and other payments provided for herein and all as such terms are hereinafter defined.

D. The Issuer is the beneficiary of grants from the USDA RUS in the amounts of $635,000 and $221,000 and the State of West Virginia, in the amount of $1,251,000, the proceeds of which, together with the Bond proceeds, will be used to acquire, construct and equip the Project.

E. It is deemed necessary for the Issuer to issue its Water Revenue Bond in the total aggregate principal amount of $415,000 to finance the cost of the acquisition, construction and equipping of the Project.

F. The estimated maximum cost of the acquisition, construction and equipping of the Project is $2,522,000, all of which will be obtained from the sale of the Bonds and from a grant or grants to be made available to the Issuer. The cost of such acquisition, construction and equipping shall be deemed to include but not limited to the cost of preparing drawings, plans and specifications detailing the Project and all attendant expenses; amounts which may be deposited in the Series 2009 Bond 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, discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, and the performance of the things herein required or permitted in connection with any thereof; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Bonds or the repayment of indebtedness incurred by the Issuer for acquisition, construction and equipping purposes shall be deemed Costs of the Project, as hereinafter defined.

G. The period of usefulness of the System after completion of the Project is not less than forty (40) years.

H. It is in the best interests of the Issuer that its Series 2009 Bond be sold to the United States of America, United States Department of Agriculture, Rural Utilities Service (the "Government").

I. The Issuer has complied with all requirements of West Virginia law relating to authorization of the acquisition. construction and equipping of the Project and issuance of the Bond.

and will comply prior to the issuance of any additional indebtedness, including, among other things, the obtaining of a Certificate of Convenience and Necessity from the Public Service Commission of West Virginia by final order, if necessary, the time for rehearing and appeal of which will either have expired prior to the issuance of the Bonds or such final order will not be subject to appeal. The Issuer has received the approval of the West Virginia Infrastructure and Jobs Development Council.

J. The Issuer is a governmental unit which has general taxing powers to finance operations of or facilities of the nature of the Project and System, and the Issuer, all subordinate entities, all entities which issue obligations on behalf of the Issuer, and all entities formed or, to the extent provided under Section 148 of the Code, herein defined, availed of, to avoid the purposes of Section 148(f)(4)(C) of the Code and all other entities benefiting thereby reasonably expect to issue less than $5,000,000 in aggregate principal amount of tax-exempt obligations during the calendar year in which the Bonds for the construction phase are to be issued.

K. There are currently outstanding the obligations of the Issuer with which the Bond will rank on a parity as to lien and source of and security for payment as follows:

(i) Waterworks System Bond of the Issuer, dated September 30, 1974 (the "1974 Bond") issued in the original principal amount of $765,000 secured under the terms of the 1974 Ordinance (hereinafter defined);

(ii) Water Revenue Bond of the Issuer, dated December 9, 1991 (the "1991 Bond") issued in the original principal amount of $365,000 secured under the terms of the 1991 Ordinance (hereinafter defined);

(iii) Water Revenue Bond of the Issuer, dated March 18, 1993 (the "1993 Bond") issued in the original principal amount of $300,000 secured under the terms of the 1993 Ordinance (hereinafter defined); and

(iv) Water Revenue Bond of the Issuer, dated June 5, 1998 (the "1998 Bond") issued in the original principal amount of $885,000 secured under the terms of the 1998 Ordinance (hereinafter defined).

The Prior Bonds are registered to the Government. The Series 2009 Bond will be issued on parity with the Prior Bonds as to lien on the Net Revenues of the System. The additional bonds coverage and parity tests set forth in the ordinance authorizing the issuance of the Prior Bonds have been met.

With the exception of the revenue bonds described above, there are no other outstanding bonds or obligations of the Issuer, which will rank prior to or on parity with the Series 2009 Bond as to lien, pledge and/or source of and security for payment.

L. The Issuer is not in default under the terms of the Prior Ordinances or any document in connection therewith, and has complied with all requirements of all the foregoing with respect to the issuance of parity bonds or has attained a sufficient and valid waiver thereof.

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

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

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

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

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

"Bond Registrar" means the bank or other entity designated herein or in any Supplemental Resolution and its successors and assigns.

"Bond Year" means the 12-month period beginning on the anniversary of the Closing Date in each year and ending on the day prior to the anniversary date of the Closing Date in the following year except that the first Bond Year shall begin on the Closing Date.

"Bond" or "Series 2009 Bond" means the not more than $415,000 in aggregate principal amounts of City of Spencer, Water Revenue Bond, Series 2009 issued for the purpose of acquiring, constructing and equipping the Project, and any bonds on parity therewith authorized to be issued hereunder.

"Bonds" means the Bond and the Prior Bonds.

"1974 Bond" means the outstanding bond of the Issuer dated September 30, 1974, described in Section 1.02 K.(i) herein.

"1991 Bond" means the outstanding bond of the Issuer dated December 9, 1991, described in Section 1.02 K.(ii) herein.

"1993 Bond" means the outstanding bond of the Issuer dated March 18, 1993, described in Section 1.02 K.(iii) herein.

"1998 Bond" means the outstanding bond of the Issuer dated June 5, 1998, described in Section 1.02 K.(iv) herein.

"Closing Date" means the date upon which there is an exchange of the Bonds for the proceeds representing the purchase of the Bond by the Government.

"Code" means the Internal Revenue Code of 1986, as amended, and including all Regulations promulgated pursuant thereto, and any successors thereto.

"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.

"Construction Fund" means the Construction Fund established by Section 4.01 hereof.

"Consulting Engineers" means Boyles and Hildreth, Spencer, West Virginia, or any engineer or firm of engineers that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

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

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period, which relate to principal which has been retired before the beginning of such period.

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

"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 or other legally constituted governing body of the Issuer, as may 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.

"Grant Agreement" means a written commitment for any Grant, specifying the amount of such Grant, the terms and conditions upon which such Grant is made and the date or dates or event or events upon which such Grant is to be paid to the Issuer.

"Grant Receipts" means all moneys received by the Issuer on account of any Grant.

"Grants" means any grant or grants received by the Issuer in aid of the design, acquisition and construction of the Project.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided, that "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined, purchased pursuant to Article 7.01 hereof) or any Tap Fees, as hereinafter defined.

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

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

"Issuer" means the City of Spencer, in Roane County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Mayor" means the Mayor of the Issuer.

"Net Proceeds" means the face amount of the Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Bond Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the 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.

"Operation and Maintenance Fund" means the Operation and Maintenance Fund established by Section 4.01 hereof.

"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, fiscal agents, the Depository Bank, Registrar and Paying Agent (all as herein defined), other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds, charges for depreciation, losses from the sale or other disposition of, or

from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

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

"1974 Ordinance" means the ordinance providing for the 1974 Bond, enacted September 30, 1974.

"1991 Ordinance" means the ordinance providing for the 1991 Bond, enacted December 9, 1991.

"1993 Ordinance" means the ordinance providing for the 1993 Bond, enacted March 11, 1993, supplemented by resolution dated March 11, 1993.

"1998 Ordinance" means the ordinance providing for the 1998 Bond, enacted June 4, 1998.

"Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds and Prior Bonds theretofore and thereupon being authenticated and delivered except (i) any Bond canceled 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 IX hereof; and (iv) for purposes of consents or other action by a specified percentage of Bondholders or any Bonds registered to the Issuer.

"Parity Bonds" means additional bonds issued under the provisions and within the limitation prescribed by Section 6.08 hereof.

"Prior Bonds" means, collectively, the Issuer's outstanding Waterworks System Bond, Series 1974, issued in the original principal amount of $765,000, Water Revenue Bond, Series 1991, issued in the original principal amount of $365,000, Water Revenue Bond, Series 1993, issued in the original principal amount of $300,000, and Water Revenue Bond, Series 1998, issued in the original principal amount of $885,000.

"Prior Ordinances" means, collectively, the 1974 Ordinance, the 1991 Ordinance, the 1993 Ordinance and the 1998 Ordinance.

"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 acquisition, construction and equipping of certain additions, betterments and improvements for water facilities of the Issuer, within or surrounding the City of Spencer and all appurtenant facilities.

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

(a) Government Obligations;

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

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

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

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

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

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

therefor; must have (or its agent must have) possession of such collateral; and such collateral must be free of all claims by third parties;

(h) The West Virginia "consolidated fund" managed by the West Virginia Investment Management Board pursuant to Chapter 12, Article 6, of the West Virginia Code of 1931, as amended; provided, that investments by such fund on behalf of the Issuer shall be restricted to Qualified Investments other than that described in this paragraph (h); 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 or Acting 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.

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

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

"Revenue" or "System Revenue Fund" means the Revenue or System Revenue Fund established by Section 4.01 hereof.

"RUS" or "Government" means the United States of America, United States Department of Agriculture, Rural Utilities Service, and assignee or successor thereto.

"Series 2009 Bond Reserve Account" means the Series 2009 Bond Reserve Account established in the Series 2009 Bond Sinking Fund pursuant to Section 4.02 hereof.

"Series 2009 Bond Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the 2009 Bond in the then current or any succeeding year.

"Series 2009 Bond Sinking Fund" means the Series 2009 Bond Sinking Fund established by Section 4.02 hereof.

"State" means the State of West Virginia.

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

"Surplus Revenues" means the Net Revenues not required by the Ordinance to be set aside and held for the payment of or security for the Prior Bond, the Bond, or any other obligations of the Issuer, including the Renewal and Replacement Fund, and the Series 2009 Bond Reserve Account, the proceeds of which Bond or other obligations are to be used to pay Costs of the Project.

"System" means all facilities and other property of every nature, real and personal, now or hereafter owned, held or used in connection with the water system; and shall also include any and all additions, extensions, improvements, properties, or other facilities at any time acquired or constructed for the water system after completion of the Project.

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

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

ARTICLE II

AUTHORIZATION OF CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Construction of the Project. There is hereby authorized the acquisition, construction and equipping of the Project, at an estimated cost of $2,522,000 in accordance with plans and specifications to be prepared by the Consulting Engineers and filed in the office of the Governing Body. The proceeds of the Bond hereby authorized shall be applied as provided in Article IV hereof. The Issuer has received bids and has entered or will enter into contracts for the acquisition, construction and equipping of the Project, compatible with the financing plan submitted to RUS.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BOND

Section 3.01. Authorization of Bond. For the purposes of paying for acquisition, construction and equipping of the Project not otherwise provided for and paying certain costs of issuance of the Bonds and related costs, or any other purposes as determined by a Supplemental Resolution, there shall be issued negotiable Bonds of the Issuer, in the aggregate principal amount of $415,000 for acquisition, construction and equipping of the Project. Said Bond shall be issued and designated, "Water Revenue Bond, Series 2009", in the aggregate principal amount of $415,000 and shall have such terms as set forth hereinafter or in a Supplemental Resolution. The proceeds of the Bond remaining after funding of the Series 2009 Bond Reserve Account (if funded from Bond proceeds) shall, subject to Section 5.02 hereof, be deposited in or credited to the Construction Fund established by Section 4.01 hereof.

Section 3.02. Terms of Bond. The Bond shall be registered and numbered R-1. The Bond shall bear interest at a rate of 4.25% per annum. The Bond shall mature in not more than forty (40) years; and shall be redeemable in whole or in part, all as prescribed herein. The Bond shall be payable as to principal and interest monthly beginning October 1, 2011, 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. Principal and interest on the Bond 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 Government is the Registered Owner thereof.

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

Subsequent series of bonds shall be issued in fully registered form and in denominations and at such interest rates and shall be payable as determined by a new Bond Ordinance.

Section 3.03. Execution of Bond. The Mayor shall execute the Bond in the name of the Issuer, 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 the Bond shall cease to be such officer of the Issuer before the Bond so signed and sealed have been actually sold and delivered, such Bond may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bond had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bond shall hold the proper office in the Issuer, although at the date of such Bond such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Ordinance unless and until the Bond Registrar shall have manually executed the Certificate of Authentication and Registration on such Bonds, substantially in the form set forth in Section 3.09. Any such executed Certificate of Authentication and Registration upon any such Bonds shall be conclusive evidence that such Bonds have been authenticated, registered and delivered under this Ordinance. The Certificate of Authentication and Registration on the Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Bond 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 Bond shall be conclusively deemed to have agreed that such Bond 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 the Bond remains outstanding, the Bond Registrar shall keep and maintain books for the registration and transfer of the Bonds.

The registered Bond 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 the Bond or transferring the registered Bond are exercised, the Bond shall be delivered in accordance with the provisions of this Ordinance. Any Bond surrendered in any such exchanges or transfers shall forthwith be canceled by the Bond Registrar. For every such exchange or transfer of the Bond, 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 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 the Bond during the period commencing on the 15th day of the month preceding an interest payment date on the Bond or, in the case of any proposed redemption of the Bond, next preceding the date of the selection of the Bond to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bond 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 Bond 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 canceled 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. Bond not to be Indebtedness of the Issuer. The Bond 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, on parity with the Prior Bonds, derived from the operation of the System as herein provided and amounts, if any, in the Series 2009 Bond Reserve Account. No holder of the Bond shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Bond or the interest thereon.

Section 3.08. Bond Secured by Pledge of Net Revenues. The payment of the debt service of the Bond shall be secured by a lien on the Net Revenues derived from the System on parity with the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bond and the Prior Bonds and to make the payments into the Series 2009 Bond Sinking Fund, the Series 2009 Bond Reserve Account therein and the Renewal and Replacement Fund, hereinafter established, are hereby irrevocably pledged to the payment of the principal of and interest on the Bond as the same become due.

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

(FORM OF SERIES 2009 BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF SPENCER
WATER REVENUE BOND,
SERIES 2009

No. R-1 $415,000
Date: October 8, 2009

KNOW ALL MEN BY THESE PRESENTS: That CITY OF SPENCER, a municipality, public corporation and political subdivision of the State of West Virginia in Roane 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 order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the sum of Four Hundred Fifteen Thousand and 00/100 Dollars ($415,000.00), or such lesser amount as set forth on the Record of Advances attached as Exhibit A hereto and incorporated herein by reference, plus interest on the unpaid principal balance at the rate of four and 25/100 percent (4.25%) per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing on the 30th day following delivery of the Bond and continuing on the corresponding day of each month for the first twenty-four (24) months after the date hereof, and $1,839.00 covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of forty (40) years from the date of this Bond, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Issuer as requested by Issuer and approved by the Government, and interest shall accrue on the amount of each advance from its actual date as shown on the Record of Advances attached hereto and made a part hereof.

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to the principal. Payments shall be made at the office of the Municipal Bond Commission, Charleston, West Virginia, and shall be mailed to the registered owner hereof at the address as it appears on the books of the Issuer in its capacity as Registrar. Provided, however, for so long as the Government remains the owner of this Bond, the Issuer shall remit payments directly to the Government or any agency or department thereof.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Issuer. Refunds and extra payments, as defined in the regulations of the Rural Utilities Service, according to the source of funds involved, shall, after payment of interest, be

applied to the installments last to become due under this Bond and shall not affect the obligation of Issuer to pay the remaining installments as scheduled herein.

If the Government at any time assigns this Bond and insures the payment thereof, Issuer shall continue to make payments to the Government as collection agent for the holder.

While this Bond is held by an insured lender, prepayments as above authorized made by Issuer may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Issuer, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Issuer, and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security herefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Issuer to the Government without demand. Issuer agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

The Issuer hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

This Bond is issued (i) to pay a portion of the costs of acquisition, construction and equipping of certain additions, betterments and improvements to the public water facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance hereof and related costs. The water system of the Issuer, together with the Project, and any further extensions, additions, betterments or improvements thereto is 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 of the West Virginia Code of 1931, as amended (the "Act"), and an Ordinance duly enacted by the Issuer and effective October 1, 2009 (the "Ordinance"), and is subject to all the terms and conditions thereof. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bond under the Ordinance.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System, from moneys in the Reserve Account created or continued under the Ordinance for the Bonds (the "Bond Reserve Account") and

unexpended proceeds of the Bond, on parity with the Issuer's Waterworks System Bond, Series 1974, Water Revenue Bond, Series 1991, Water Revenue Bond, Series 1993, and Water Revenue Bond, Series 1998 (collectively, "Prior Bonds"). Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Bond Reserve Account and unexpended proceeds of the Bond. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System and to leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount payable in any year for principal of and interest on the Bond and the Prior Bonds, and all other obligations secured by a lien on or payable from such net revenues prior to or on parity with the Bond, provided however, that so long as there exists in the Bond Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bond in the then current or any succeeding year and in the reserve account established for any other obligations outstanding prior to or on parity with the Bond, an amount at least equal to the requirement therefor, such percentage may be reduced to one hundred ten percent (110%).

The Issuer has entered into certain further covenants with the registered owner of the Bond for the terms of which reference is made to the Ordinance. Remedies provided the registered owner of the Bond are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of the Issuer, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the herein defined Bond Resolution, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of authorized denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

This Bond, under the provisions of the Act, is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may only be transferred by transfer of registration hereof with the Bond Registrar.

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

If at any time it shall appear to the Government that Issuer may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, Issuer will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government,

This Bond is given as evidence of a loan to Issuer made or insured by the Government pursuant to the Consolidated Farmers Home Rural Development Act, as amended. This Bond shall be subject to the present regulations of the Rural Development Authority and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ON A PARITY AS TO LIEN AND SOURCE OF PAYMENT WITH THE WATERWORKS SYSTEM BOND, SERIES 1974, WATER REVENUE BOND, SERIES 1991, WATER REVENUE BOND, SERIES 1993, AND WATER REVENUE BOND, SERIES 1998 OF THE ISSUER DESCRIBED IN THE ORDINANCES ADOPTED WITH RESPECT TO EACH SERIES.

The initial address of Government for purposes of bond registration is 1550 Earl Core Road, Suite 101, Morgantown, WV 26505.

This Bond will be in default should any proceeds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as set forth in Exhibit M of subpart G of Part 1940 of Title 7 of the Code of Federal Regulations, as amended.

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

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

IN WITNESS WHEREOF, CITY OF SPENCER 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 October 8, 2009.

CITY OF SPENCER

[SEAL]

By: _____
Mayor

ATTEST:

_____
Recorder

ASSIGNMENT

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

Dated: _____, 200_.

_____
(Assignor)

Witnessed in the presence of:

_____

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) $170,200.00	10/8/09	(6) $	
(2) $		(7) $	
(3) $		(8) $	
(4) $		(9) $	
(5) $		(10) $	

TOTAL $

Section 3.10. Sale of Bond; Incorporation of Terms. The Series 2009 Bond shall be held to RUS pursuant to the terms and conditions of the Letter of Conditions from RUS dated April 15, 2003, as amended by Amendment No. 1 to Letter of Conditions dated September 18, 2009. If not so authorized by previous ordinance or resolution, the Mayor is specifically authorized and directed to accept the Letter of Conditions, as amended, from RUS, with such changes, insertions and omissions as may be approved by the Mayor, the execution of which shall be conclusive evidence of such approval, and any such prior execution and delivery is hereby authorized, ratified and approved.

Section 3.11. Certificate of Consulting Engineers. Prior to the issuance of the Bond, the Issuer must obtain the certificate of the Consulting Engineers to the effect that the Project will be constructed in accordance with the approved plans and specifications, as submitted to RUS, the Project is or will be adequate for the purposes for which it was designed, and the funding plan, as submitted to RUS, is sufficient to pay the costs of the acquisition and construction of the Project.

ARTICLE IV

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 4.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created or continued 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:

(1) Revenue Fund or System Revenue Fund;

(2) Operation and Maintenance Fund;

(3) Renewal and Replacement Fund; and

(4) Construction Fund.

Section 4.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created or continued with the Commission:

(1) Series 2009 Bond Sinking Fund;

(a) Within the Series 2009 Bond Sinking Fund, the Series 2009 Bond Reserve Account.

Section 4.03. System Revenues; Flow of Funds.

A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the System Revenue Fund established herein. The Revenue Fund shall constitute a trust fund for the purposes provided in this Ordinance and shall be kept separate and distinct from

all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided.

(1) The Issuer shall first each month transfer from the Revenue Fund to the Operation and Maintenance Fund the amount necessary and sufficient to pay current Operating Expenses.

(2) The Issuer shall next, each month, on or before the due date of payment of each installment on the Bonds, transfer from the Revenue Fund and remit to the National Finance Office designated in the Bond (or such other place as may be provided pursuant to the Bond), the amount required to pay the interest on the Bond, and to amortize the principal of the Bonds over the respective lives of each Bond issue. All payments with respect to principal of and interest on the Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amount thereof outstanding and on parity with each other. There is hereby created a sinking fund at the Depository Bank into which the Issuer shall deposit sufficient amounts from the Revenue Fund to pay the interest on the Bonds and to amortize the principal of the Bonds over the remaining respective lives of each Bond issue. As long as the Government owns the Bonds, such deposits can be replaced by the remittances described above.

(3) The Issuer shall next, on the first day of each month, commencing one (1) month prior to the first date of payment of principal and interest of the Bond, if not fully funded upon issuance of the Bond, apportion and set apart out of the Revenue Fund and remit to the Commission, on a pro rata basis with the Prior Bonds, for deposit into the Series 2009 Bond Reserve Account, an amount equal to .833% of the Series 2009 Bond Reserve Requirement; provided, that no further payments shall be made into the Series 2009 Bond 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 2009 Bond Reserve Requirement.

Moneys in the Series 2009 Bond Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, as the same shall become due. Moneys in the Series 2009 Bond Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Bond, as the same shall come due, when other moneys in the attendant Series 2009 Bond Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 2009 Bond Sinking Fund and Series 2009 Bond 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 Construction 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 payments, if any, due on the respective series of bonds, and then to the next ensuing principal payments due thereon.

Any withdrawals from the Series 2009 Bond Reserve Account which result in a reduction in the balance of the Series 2009 Bond Reserve Accounts to below the Series 2009 Bond Reserve

Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full, to the Series 2009 Bond Sinking Fund for payment of debt service on the Bond.

B. As and when additional bonds ranking on parity with the Bond and the Prior Bonds are issued, provision shall be made for additional payments into the Sinking Fund sufficient to pay the interest on such additional parity bonds and accomplish retirement thereof at maturity and to accumulate a balance in the appropriate reserve account in an amount equal to the maximum provided and required to be paid into the Sinking Fund in any year for account of the bonds of such series, including such additional bonds which by their terms are payable from such Sinking Fund.

The Issuer shall not be required to make any further payments into the Series 2009 Bond Sinking Fund or into the Series 2009 Bond Reserve Account therein when the aggregate amount of funds in said Series 2009 Bond Sinking Fund and Series 2009 Bond Reserve Account are at least equal to the aggregate principal amount of the Bond issued pursuant to this Ordinance then Outstanding and all interest to accrue until the maturity thereof.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2009 Bond Sinking Fund created hereunder, and all amounts required for said Series 2009 Bond Sinking Fund shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein.

The payments into the Series 2009 Bond Sinking Fund shall be made on the first day of each month, except that when the first day of any month shall be a Sunday or legal holiday then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Ordinance.

Moneys in the Series 2009 Bond Reserve Account shall be invested and reinvested by the Commission in accordance with Section 7.01 hereof.

The Series 2009 Bond Sinking Fund, including the Series 2009 Bond Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Bond and any additional bonds ranking on parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

C. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Series 2009 Bond Sinking Fund, including the Series 2009 Bond Reserve Account therein and the Renewal and Replacement Fund during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Such Surplus Revenues shall be used to redeem the Bond or for any lawful purposes of the System.

D. The Issuer shall remit from the Revenue Fund to the Commission, the Paying Agent or the Depository Bank, on such dates as the Commission, the Paying Agent or the Depository Bank,

as the case may be, shall require, such additional sums as shall be necessary to pay the Commission's fees, the Paying Agent's fees and the Depository Bank's charges then due.

E. Traders Bank is hereby designated the Depository Bank. The Commission is hereby designated as Paying Agent for the Bond.

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

G. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this Section 4.03, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

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

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

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

Section 4.04. Excess Bond Proceeds. The Issuer shall place any excess proceeds from the Bonds not required by the Project in the Series 2009 Bond Reserve Account or as otherwise directed by RUS.

ARTICLE V

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 5.01. Application of Bond Proceeds. From the moneys received from time to time from the sale of the Bond, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Bond, there shall be deposited with the Commission in the Series 2009 Bond Reserve Account the sum, if any, required hereunder for funding the Series 2009 Bond Reserve Account.

B. The remaining moneys derived from the sale of the Bond shall be deposited by the Issuer as received from time to time in the Construction Fund established hereunder.

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

Section 5.02. Disbursements From the Construction Fund. Payments for Costs of the Project shall be made monthly.

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

Except as provided in Section 5.01 hereof, disbursements from the Construction Fund shall be made only after submission to, and approval by, RUS of the following:

(1) a completed and signed "Payment Requisition Form," and

(2) a certificate, signed by an Authorized Officer and the Consulting Engineers, stating:

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

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

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

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

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

Pending such application, moneys in the Construction Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

Until disbursed by the Issuer, moneys in the Construction Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VI

ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Ordinance shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bond. In addition to the other covenants, agreements and provisions of this Ordinance, the Issuer hereby covenants and agrees with the Holders of the Bond as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as said Bond or the interest thereon is Outstanding and unpaid.

Section 6.02. Bond Not to be Indebtedness of the Issuer. The Bond shall be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Ordinance. No Holder or Holders of the Bond shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Bond or the interest thereon.

Section 6.03. Bond Secured by Pledge of Net Revenues. The payment of the debt service of the Bond issued hereunder shall be secured forthwith on parity with the Net Revenues with the Prior Bonds derived from the operation of the System including any other fees collected by the Issuer and imposed by the tariff approved by the Governing Body of the Issuer on March 1, 2007. The Revenues derived from the System, in amounts sufficient to pay the principal of and interest on the Bond and to make the payments into the Series 2009 Bond Sinking Fund, including the Series 2009 Bond Reserve Account therein, and all other payments provided for in the Ordinance and the tariff are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Bond as the same become due, and for the other purposes provided in the Ordinance.

Section 6.04. Rates. Prior to issuance of the Bond, equitable rates or charges for the proposed and/or actual use of and service rendered by the System have been or will be 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. The Issuer shall take the necessary actions with respect to the imposition of rates at such times and with such provisions with respect to interest rate and maturity of the Bond to finance the issuance of the Bond as the purchaser thereof shall require. 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 (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each Fiscal Year equal to at least one hundred fifteen percent (115%) of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Bond and the Prior Bonds; provided that, in the event that amounts at least equal to or in excess of the Reserve Requirements are on deposit in the Series 2009 Bond Reserve Account and the Reserve Accounts for the Bond and the Prior Bonds are funded at least at the requirement provided for in the Ordinance, such balances each Fiscal Year need only equal at least one hundred ten percent (110%) of the maximum amounts required in any succeeding Fiscal Year for payment of principal of and interest on the Bond and the Prior Bonds.

Section 6.05. Completion, Operation and Maintenance; Schedule of Costs. The Issuer shall simultaneously with the delivery of the Bond or immediately thereafter enter into written contracts for the immediate acquisition or construction of the Project. The Issuer will expeditiously complete the Project and will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of said System in the manner provided in the Ordinance.

Section 6.06. Sale of the System. Except as otherwise required by state law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Outstanding Bonds and effectively defease this Ordinance in accordance with Section 9.01 hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Outstanding Bonds, immediately be remitted to the Commission for deposit in the Series 2009 Bond Sinking Fund, and, with the written permission of the Government, or in the event the Government is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Outstanding Bonds. Any balance remaining after the payment of all the Outstanding Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of $10,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such

property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $10,000 and not in excess of $50,000, shall with the written consent of RUS, be remitted by the Issuer to the Commission for deposit in the Series 2009 Bond Sinking Funds and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the redemption price of such Bonds. Such payment of such proceeds into the Series 2009 Bond Sinking Funds or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Ordinance. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay all Bonds then outstanding without the prior approval and consent in writing of RUS, of sixty-six and two-thirds percent (66 2/3%) in amount of the Bonds then outstanding. The Issuer shall prepare the form of such approval and consent for execution by RUS for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 6.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 6.07 and in Section 6.08B, the Issuer shall not issue any obligations whatsoever with a lien on or otherwise payable from any source of payment pledged originally 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 Bond. All obligations issued by the Issuer after the issuance of the Bond 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 Bond; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the Series 2009 Bond Reserve Accounts and the Renewal and Replacement Fund at the time of the issuance of such subordinate obligations have been made and are current.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on parity with the lien of the Bond, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Bond and the interest thereon in this Ordinance, or upon the System or any part thereof. The Issuer will give RUS prior written notice of the issuance of other obligations to be used for the Project, payable from System revenues or grants for the Project.

Section 6.08. Parity Bonds. A. No Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Bond issued pursuant to this Ordinance, 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 Bond and Prior Bonds and shall be issued with the written consent of the Government.

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

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Recorder a written statement by the Independent Certified Public Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any twelve (12) consecutive months, within the eighteen (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 three (3) succeeding years after the completion of the improvements to be financed by such Parity Bonds, shall not be less than one hundred fifteen percent (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 Series 2009 Bond and Prior 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 three (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 adopted by the Issuer, the period for appeal of which has expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the Recorder prior to the issuance of such Parity Bonds.

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

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

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

increased payments into the various funds and accounts created in this Ordinance required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Ordinance.

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

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

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in this Ordinance with respect to the Bond then outstanding, and any other payments provided for in this Ordinance, 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 Ordinance.

B. Notwithstanding the foregoing, the Issuer may issue Parity Bonds without compliance with any other conditions for the purpose of refunding prior to maturity any issues or series of bonds, provided that the annual debt service required on account of the refunding bonds and the bonds which are not refunded shall not be greater in any year in which the bonds not refunded and the refunding bonds are to be Outstanding than the annual debt service required in such year if the bonds to be refunded were not so refunded.

Section 6.09. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, the costs of acquiring the Project site, construction, and installing the Project, and RUS 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 Issuer shall keep complete and accurate records of the costs of designing the System, acquiring the Project site and acquiring, constructing and installing the Project. The Issuer shall permit RUS, or its 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 RUS such documents and information as it may reasonably require in connection with the design, 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 RUS, or its agents and representatives, to inspect all records pertaining to the construction and operation 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 shall 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 owner of a Bond or Bonds issued pursuant to the Ordinance 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. The Issuer shall maintain separate control accounting records. Subsidiary records as may be required shall be kept in the manner and on the forms, books and other bookkeeping records as prescribed by the Governing Body. The Governing Body shall prescribe and institute the manner by which subsidiary records of the accounting system, which may be installed remote from the direct supervision of the Governing Body shall be reported to such agent of the Issuer as the Governing Body shall direct.

The Issuer shall file with the Consulting Engineers and RUS 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 Ordinance with respect to said Bonds and the status of all said funds and accounts.

(C) The amount of any Outstanding Bonds or other obligations outstanding and secured by a lien on the Net Revenues of the System.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with the applicable OMB Circular, or any successor thereto, and the Single Audit Act, or any successor thereto, and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to the Holder of the Bond and shall submit said report to RUS. Such audit report submitted to RUS shall include a statement that the Issuer is in compliance with the terms and provisions of this Ordinance and the Act and that Gross Revenues are adequate to meet operation/maintenance expenses and debt service requirements.

The Issuer shall permit RUS, or its agents and representatives, to enter and inspect the Project site and Project facilities at all reasonable times. Prior to, during and after completion of construction of the Project, the Issuer shall also provide RUS, or its agents and representatives, with access to the plans, drawings, specifications, System site and System facilities as may be reasonably

necessary to accomplish all of the powers and rights of RUS with respect to the System pursuant to the Act.

Section 6.10. Compliance With Ordinance, Rules and Regulations. The Issuer hereby covenants and agrees to perform and satisfy all terms and conditions of this Ordinance and to comply with all applicable laws, rules and regulations issued by the Government, or other state, federal or local bodies in regard to the construction of the Project and operation, maintenance and use of the System.

Section 6.11. Operating Budget and Audit. The Issuer shall annually, at least forty-five (45) days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated reserves and expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of ten percent (10%) of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall, within thirty (30) days of the adoption thereof, mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to RUS and to any Holder of the Bond, who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to RUS, or anyone acting for and on behalf of such Holder of the Bond.

In addition, the Issuer shall annually cause the records of the System to be audited by an Independent Certified Public Accountant, the report of which audit shall be submitted to RUS and which audit report shall include a statement that the Issuer is in compliance with the terms and provisions of this Ordinance.

Section 6.12. Engineering Services and Operating Personnel. The Issuer shall provide and maintain competent and adequate resident engineering services satisfactory to RUS covering the supervision and inspection of the construction of the Project and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such resident engineer shall certify to RUS and the Issuer at the completion of construction that construction of the Project is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

The Issuer shall require the Consulting Engineers to submit the As-Built Plans to it within sixty (60) days of the completion of the Project.

Section 6.13. 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 6.14. 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 thirty (30) days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid, to the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia. Rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System and any services and facilities of the water system, if so owned by the Issuer, to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services of either system until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 6.15. 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 6.16. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Bond remains Outstanding, the Issuer and its contractors and subcontractors 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 Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the prime contractor and all subcontractors, as their respective interests may appear, during construction of the Project on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of RUS, the Issuer, the contractors and subcontractors, as their interests may appear.

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

(3) WORKERS' COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT BONDS, such bonds to be in the amounts of one hundred percent (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, to the extent available at reasonable cost to the Issuer.

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

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 one hundred percent (100%) of the contract price of the portion of the Project covered by the particular contract as security for the faithful performance of such contract.

C. The Issuer shall also require all contractors engaged in the construction of the Project to carry such Workers' Compensation coverage for all employees working on the Project and public

liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project. Such insurance shall be made payable to the order of RUS, the Issuer, the prime contractor and all subcontractors, as their interests may appear.

Section 6.17. Completion of Project; Permits and Orders. The Issuer will complete the Project as promptly as possible and operate and maintain the System in good condition and in compliance with all federal and State requirements and standards.

The Issuer will obtain all permits required by State and federal laws for the acquisition and construction of the Project and all orders and approvals from the West Virginia Public Service Commission necessary for the acquisition and construction of the Project and the operation of the System.

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

A. PUBLIC PURPOSE BONDS. The Issuer shall use the Bond proceeds solely for the Project and as otherwise set forth herein, and the Project will be solely operated as a public purpose and as a local governmental activity of the Issuer.

B. PRIVATE ACTIVITY BOND COVENANT. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bond from the treatment afforded by Section 103(a) of the Code by reason of the classification of the Bond as "private activity bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code in order to assure the tax-exempt status of the Bond.

C. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of five percent (5%) of the Net Proceeds of the Bonds 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.

D. 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 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code and Regulations promulgated thereunder.

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

F. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it (including those deemed necessary by RUS) so that the interest on the 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 those determined by RUS) which would adversely affect such exclusion.

Section 6.19. Public Service Commission Approval. The Issuer shall obtain all requisite orders of and approvals from the Public Service Commission of West Virginia necessary for the construction of the Project and operation of the System, and RUS shall receive an opinion of counsel to the Issuer to such effect.

Section 6.20. Compensation of Members of Governing Body. The Issuer hereby covenants and agrees that no compensation for policy direction shall be paid to the members of the Governing Body in excess of the amount permitted by the Act. Payment of any compensation to any such member for policy direction shall not be made if such payment would cause the Net Revenues to fall below the amount required to meet all payments provided for herein, nor when there is default in the performance of or compliance with any covenant or provision hereof.

Section 6.21. Statutory Mortgage. For the further protection of the holders of the Bond, 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 and shall take effect immediately upon delivery of the Bonds.

Section 6.22. Restrictions on Use of Bond Proceeds. The Issuer agrees that it will be in default hereunder if any Bond proceeds are used for a purpose that contributes to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

ARTICLE VII

INVESTMENT OF FUNDS

Section 7.01. Investments. Any moneys held as a part of the funds and accounts created by this Ordinance, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Depository Bank, or such other bank or national banking association holding such fund or account, as the case may be, at the written direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Ordinance and the need for such moneys for the purposes set forth herein.

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, 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 the Bond is outstanding.

ARTICLE VIII

DEFAULT AND REMEDIES

Section 8.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Bond or the Prior Bonds:

(1) If default occurs in the due and punctual payment of the principal of the Bond or the Prior Bonds; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Bond set forth in this Ordinance, any Supplemental Resolution or the Bond or in the Prior Bonds or the ordinance and resolution which authorized the Prior Bonds, and such default shall have continued for a period of thirty (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 the Bond or the Prior Bonds; 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.

Section 8.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of Outstanding Bonds 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 then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Ordinance 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 Outstanding Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Outstanding Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Ordinance with respect to the Outstanding Bonds, or the rights of such Registered Owners. Any such remedies shall be exercised in a manner benefiting the holder of the Series 2009 Bond and the Prior Bonds on a parity basis.

Section 8.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Ordinance 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 Bond any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System 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 Bond and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Ordinance and the Act.

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

Whenever all that is due upon the Bond and under any covenants of this Ordinance 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 Ordinance shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Registered Owner of the Bond shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Bond. 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 Owner of such Bond and the curing and making good of any Event of Default with respect thereto under the provisions of this Ordinance, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE IX

(RESERVED)

ARTICLE X

RATES, RULES, COVENANTS, ETC.

Section 10.01. Initial Schedule of Rates and Charges.

A. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in a Tariff on file with the Public Service Commission effective on or after April 15, 2007, which Tariff is incorporated herein by reference and is made a part hereof.

B. The Issuer hereby ratifies a Rate Ordinance enacted on March 1, 2007, which sets forth the rates and charges as set out in the above-referenced order and included on the tariff sheet filed with the Public Service Commission.

Section 10.02. Further Covenants.

The Issuer hereby further covenants and agrees as follows:

A. There shall not be any discrimination or differential in rates between customers in similar circumstances.

B. The Issuer may require any applicant for any service by the System to deposit a reasonable and equitable amount to insure payment of all charges for the services rendered by the System, which deposit shall be handled and disposed of under the applicable rules and regulations of the Public Service Commission of West Virginia.

C. The Issuer, to the extent permitted by law, will not accept payment of any water bill from a customer served with water and water services by the Issuer without payment at the same time of a water bill owed by such customer for the same premises.

D. All delinquent fees, rates and charges for services or facilities of the System shall be liens on the premises served of equal degree, rank and priority with the lien on such premises of state, county, school and municipal taxes, as provided in the Act. The Issuer shall have such remedies and powers as are provided under the Act and other applicable provisions of law with regard to the collection and enforcement of such fees, rates and charges.

E. The Issuer will not render or cause to be rendered any free services of any nature by the System nor any of the facilities; and in the event that the Issuer or any department, agency, officer or employee thereof should avail itself or themselves of the services or facilities of the System, the same fees, rates and charges applicable to other customers receiving like services under similar circumstances shall be charged, such charges shall be paid as they accrue, and

revenues so received shall be deposited and accounted for in the same manner as other Revenues of the System.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Filing Under Uniform Commercial Code. Contemporaneously with the delivery of the Bond, the Issuer shall execute Financing Statements meeting the requirements of the Uniform Commercial Code of West Virginia and promptly thereafter shall file such Financing Statements in the office of the Secretary of State of West Virginia.

Section 11.02. Delivery of Bond. The Mayor and Recorder of the Governing Body are hereby authorized and directed to cause the Bond, numbered R-1, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

Section 11.03. Payment of Bond. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holder of the Bond, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Ordinance, then, with respect to the Bond only, the pledge of Net Revenues and other moneys and securities pledged under this Ordinance and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Bond shall thereupon cease, terminate and become void and be discharged and satisfied. Except through such direct payment to the Holder of the Bond, the Issuer may not defease the Bond or otherwise provide for payment thereof by escrow or like manner.

Section 11.04. Severability of Invalid Provision. If any one or more of the covenants, agreements or provisions hereof should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions hereof, and shall in no way affect the validity of all the other provisions hereof or the Bond.

Section 11.05. Amendment or Modification of Ordinance. No material modification or amendment of this Ordinance, or of any ordinance or resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owner of the Bond shall be made without the consent in writing of the Registered Owners of 66 2/3% or more in principal amount of the Bond so affected and then Outstanding; provided, that no change shall be made in the maturity of the Bond 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 Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of the Bond required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Ordinance may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code as may be

necessary to assure the excludability of interest on the Bond from gross income of the holder thereof.

Section 11.06. Ordinance Constitutes Contract. The provisions of this Ordinance shall constitute a contract between the Issuer and the Registered Owner of the Bond, and no change, variation or alteration of any kind of the provisions of this Ordinance shall be made in any manner, except as in this Ordinance provided.

Section 11.07. Conflicting Provisions Repealed. All ordinances and orders, or parts thereof, in conflict with the provisions hereof are, to the extent of such conflicts, hereby repealed except the Prior Ordinances.

Section 11.08. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 11.09. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Ordinance do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State applicable thereto; and that the Mayor, 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 11.10. Supplemental Resolutions. The Issuer may pass such supplemental resolutions, if necessary, to effectuate the purposes and intent of this Ordinance.

Section 11.11. Effective Time. This Ordinance shall take effect immediately upon its adoption.

Section 11.12. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Bond Ordinance determined by the Governing Body to contain sufficient information as to give notice of the contents hereof shall be published once a week for two (2) successive weeks within a period of fourteen (14) consecutive days, with at least six (6) full days intervening between each publication, in a qualified newspaper published and of general circulation in the City of Spencer, together with a notice stating that this Bond Ordinance has been adopted and that the Issuer contemplates the issuance of the Bonds, and that any person interested may appear before the City Council upon a date certain, not less than ten (10) days subsequent to the date of the first publication of such abstract of this Bond Ordinance and notice, and present protests, and that a certified copy of the Ordinance is on file with the Governing Body for review by interested persons during office hours of the Governing Body. At such hearing, all objections and suggestions shall be heard, and the Governing Body shall take such action as it shall deem proper in the premises.

First Reading – September 3, 2009

Second Reading – October 1, 2009

Enacted Following Public Hearing – October 1, 2009

CITY OF SPENCER, WEST VIRGINIA

By: _____
Mayor

[SEAL]

ATTEST:

_____
Recorder

CERTIFICATION

The undersigned does hereby certify that the attached Ordinance is a true and accurate copy of an Ordinance duly enacted by the Council of the CITY OF SPENCER, WEST VIRGINIA on and effective on October 1, 2009, and that the foregoing document remains in full force and effect and has not been amended.

Dated: October 8, 2009.

[SEAL]

Recorder

CITY OF SPENCER, WEST VIRGINIA

BOND ORDINANCE

ORDINANCE AUTHORIZING THE CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS FOR THE PUBLIC WATER SYSTEM OF THE CITY OF SPENCER, WEST VIRGINIA; AND THE FINANCING OF A PORTION OF THE COST THEREOF THROUGH THE ISSUANCE BY THE CITY OF NOT TO EXCEED $850,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BOND, SERIES 2010, FOR THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF THE PUBLIC WATER SYSTEM THROUGH FINANCING TO BE OBTAINED BY THE CITY AT A COST ESTIMATED TO BE APPROXIMATELY $2,505,600; WITH BOND PROCEEDS TO BE USED, ALONG WITH OTHER FUNDS AND MONEYS OF, OR AVAILABLE TO, THE CITY OF SPENCER WHICH MAY BE LAWFULLY EXPENDED FOR SUCH PURPOSES, AND TO PAY OTHER COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE OWNER OF SUCH BOND; PLEDGING NET REVENUES, ON A PARITY BASIS, AS SECURITY FOR THE BOND; PLACING LIMITATION ON SALE OF SYSTEM; AND AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BOND AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT ORDAINED AND ENACTED BY THE COUNCIL OF THE CITY OF SPENCER:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

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

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

A. The City of Spencer (the "Issuer") is a municipal corporation and political subdivision of the State of West Virginia in Roane County.

B. The Issuer now has a public water system and desires to improve and expand that system and it is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the Issuer and, accordingly, it is hereby ordered, that there be acquired and constructed certain additions, betterments and improvements to the existing public water system of the Issuer known as the "System" (sometimes referred to herein as the "System") so as to improve the public health, comfort and convenience of residents of the City, including the construction and installation of all necessary appurtenant facilities (the "Project"),

and generally described as water line extensions, pumps, pumping stations, water plant improvements and necessary appurtenances particularly described in and according to the plans and specifications prepared by the Consulting Engineer for the Project and heretofore filed in the office of the Recorder of the City Council (the "Governing Body") of the Issuer. The construction and acquisition of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

C. The estimated revenues being and to be derived in each year from the Project and the System will be sufficient to pay the costs of said System, the principal of and interest on the Bonds and all sinking funds, reserve accounts and other payments provided for herein and all as such terms are hereinafter defined.

D. The Issuer is the beneficiary of grants from the Environmental Protection Agency and the Appalachian Regional Commission, in the amounts of $955,600 and $700,000, respectively, the proceeds of which, together with the Bond proceeds, will be used to acquire, construct and equip the Project.

E. It is deemed necessary for the Issuer to issue its Water Revenue Bond in the total aggregate principal amount of $850,000 to finance the cost of the acquisition, construction and equipping of the Project.

F. The estimated maximum cost of the acquisition, construction and equipping of the Project is $2,505,600, all of which will be obtained from the sale of the Bonds and from a grant or grants to be made available to the Issuer. The cost of such acquisition, construction and equipping shall be deemed to include but not limited to the cost of preparing drawings, plans and specifications detailing the Project and all attendant expenses; amounts which may be deposited in the Series 2010 Bond 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, discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, and the performance of the things herein required or permitted in connection with any thereof; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Bonds or the repayment of indebtedness incurred by the Issuer for acquisition, construction and equipping purposes shall be deemed Costs of the Project, as hereinafter defined.

G. The period of usefulness of the System after completion of the Project is not less than forty (40) years.

H. It is in the best interests of the Issuer that its Series 2010 Bond be sold to the United States of America, United States Department of Agriculture, Rural Utilities Service (the "Government").

I. The Issuer has complied with all requirements of West Virginia law relating to authorization of the acquisition, construction and equipping of the Project and issuance of the Bond, and will comply prior to the issuance of any additional indebtedness, including, among other things, the obtaining of a Certificate of Convenience and Necessity from the Public Service Commission of West Virginia by final order, if necessary, the time for rehearing and appeal of which will either have expired prior to the issuance of the Bonds or such final order will not be subject to appeal. The Issuer has received the approval of the West Virginia Infrastructure and Jobs Development Council.

J. The Issuer is a governmental unit which has general taxing powers to finance operations of or facilities of the nature of the Project and System, and the Issuer, all subordinate entities, all entities which issue obligations on behalf of the Issuer, and all entities formed or, to the extent provided under Section 148 of the Code, herein defined, availed of, to avoid the purposes of Section 148(f)(4)(C) of the Code and all other entities benefiting thereby reasonably expect to issue less than $5,000,000 in aggregate principal amount of tax-exempt obligations during the calendar year in which the Bonds for the construction phase are to be issued.

K. There are currently outstanding the obligations of the Issuer with which the Bond will rank on a parity as to lien and source of and security for payment as follows:

(i) Waterworks System Bond of the Issuer, dated September 30, 1974 (the "1974 Bond") issued in the original principal amount of $765,000 secured under the terms of the 1974 Ordinance (hereinafter defined);

(ii) Water Revenue Bond of the Issuer, dated December 9, 1991 (the "1991 Bond") issued in the original principal amount of $365,000 secured under the terms of the 1991 Ordinance (hereinafter defined);

(iii) Water Revenue Bond of the Issuer, dated March 18, 1993 (the "1993 Bond") issued in the original principal amount of $300,000 secured under the terms of the 1993 Ordinance (hereinafter defined);

(iv) Water Revenue Bond of the Issuer, dated June 5, 1998 (the "1998 Bond") issued in the original principal amount of $885,000 secured under the terms of the 1998 Ordinance (hereinafter defined); and

(v) Water Revenue Bond of the Issuer, dated October 8, 2009 (the "2009 Bond") issued in the original principal amount of $415,000 secured under the terms of the 2009 Ordinance (hereinafter defined).

The Prior Bonds are registered to the Government. The Series 2010 Bond will be issued on parity with the Prior Bonds as to lien on the Net Revenues of the System. The additional bonds coverage and parity tests set forth in the ordinance authorizing the issuance of the Prior Bonds have been met.

With the exception of the revenue bonds described above, there are no other outstanding bonds or obligations of the Issuer, which will rank prior to or on parity with the Series 2010 Bond as to lien, pledge and/or source of and security for payment.

L. The Issuer is not in default under the terms of the Prior Ordinances or any document in connection therewith, and has complied with all requirements of all the foregoing with respect to the issuance of parity bonds or has attained a sufficient and valid waiver thereof.

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

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

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

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

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

"Bond Registrar" means the bank or other entity designated herein or in any Supplemental Resolution and its successors and assigns.

"Bond Year" means the 12-month period beginning on the anniversary of the Closing Date in each year and ending on the day prior to the anniversary date of the Closing Date in the following year except that the first Bond Year shall begin on the Closing Date.

"Bond" or "Series 2010 Bond" means the not more than $850,000 in aggregate principal amounts of City of Spencer, Water Revenue Bond, Series 2010 issued for the purpose of acquiring, constructing and equipping the Project, and any bonds on parity therewith authorized to be issued hereunder.

"Bonds" means the Bond and the Prior Bonds.

"1974 Bond" means the outstanding bond of the Issuer dated September 30, 1974, described in Section 1.02 K.(i) herein.

"1991 Bond" means the outstanding bond of the Issuer dated December 9, 1991, described in Section 1.02 K.(ii) herein.

"1993 Bond" means the outstanding bond of the Issuer dated March 18, 1993, described in Section 1.02 K.(iii) herein.

"1998 Bond" means the outstanding bond of the Issuer dated June 5, 1998, described in Section 1.02 K.(iv) herein.

"2009 Bond" means the outstanding bond of the Issuer dated October 8, 2009, described in Section 1.02 K.(v) herein.

"Closing Date" means the date upon which there is an exchange of the Bonds for the proceeds representing the purchase of the Bond by the Government.

"Code" means the Internal Revenue Code of 1986, as amended, and including all Regulations promulgated pursuant thereto, and any successors thereto.

"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.

"Construction Fund" means the Construction Fund established by Section 4.01 hereof.

"Consulting Engineers" means Boyles and Hildreth, Spencer, West Virginia, or any engineer or firm of engineers that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

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

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period, which relate to principal which has been retired before the beginning of such period.

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

"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 or other legally constituted governing body of the Issuer, as may 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.

"Grant Agreement" means a written commitment for any Grant, specifying the amount of such Grant, the terms and conditions upon which such Grant is made and the date or dates or event or events upon which such Grant is to be paid to the Issuer.

"Grant Receipts" means all moneys received by the Issuer on account of any Grant.

"Grants" means any grant or grants received by the Issuer in aid of the design, acquisition and construction of the Project.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided, that "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined, purchased pursuant to Article 7.01 hereof) or any Tap Fees, as hereinafter defined.

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

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

"Issuer" means the City of Spencer, in Roane County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Mayor" means the Mayor of the Issuer.

"Net Proceeds" means the face amount of the Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Bond Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the 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.

"Operation and Maintenance Fund" means the Operation and Maintenance Fund established by Section 4.01 hereof.

"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, fiscal agents, the Depository Bank, Registrar and Paying Agent (all as herein defined), other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

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

"1974 Ordinance" means the ordinance providing for the 1974 Bond, enacted September 30, 1974.

"1991 Ordinance" means the ordinance providing for the 1991 Bond, enacted December 9, 1991.

"1993 Ordinance" means the ordinance providing for the 1993 Bond, enacted March 11, 1993, supplemented by resolution dated March 11, 1993.

"1998 Ordinance" means the ordinance providing for the 1998 Bond, enacted June 4, 1998.

"2009 Ordinance" means the ordinance providing for the 2009 Bond, enacted October 1, 2009.

"Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds and Prior Bonds theretofore and thereupon being authenticated and delivered except (i) any Bond canceled 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 IX hereof; and (iv) for purposes of consents or other action by a specified percentage of Bondholders or any Bonds registered to the Issuer.

"Parity Bonds" means additional bonds issued under the provisions and within the limitation prescribed by Section 6.08 hereof.

"Prior Bonds" means, collectively, the Issuer's outstanding Waterworks System Bond, Series 1974, issued in the original principal amount of $765,000, Water Revenue Bond, Series 1991, issued in the original principal amount of $365,000, Water Revenue Bond, Series 1993, issued in the original principal amount of $300,000, Water Revenue Bond, Series 1998, issued in

the original principal amount of $885,000, and Water Revenue Bond, Series 2009, issued in the original principal amount of $415,000.

"Prior Ordinances" means, collectively, the 1974 Ordinance, the 1991 Ordinance, the 1993 Ordinance, the 1998 Ordinance and the 2009 Ordinance.

"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 acquisition, construction and equipping of certain additions, betterments and improvements for water facilities of the Issuer, within or surrounding the City of Spencer and all appurtenant facilities.

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

(a) Government Obligations;

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

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

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

(e) Time accounts (including accounts evidenced by time certificates of deposit, time deposits or other similar banking arrangements) which, to the extent not insured by the FDIC or Federal Savings and Loan Insurance Corporation, shall be secured by a pledge of Government Obligations, provided, that said Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of

said time accounts or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time accounts;

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

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

(h) The West Virginia "consolidated fund" managed by the West Virginia Board of Treasury Investments pursuant to Chapter 12, Article 6C, of the West Virginia Code of 1931, as amended; provided, that investments by such fund on behalf of the Issuer shall be restricted to Qualified Investments other than that described in this paragraph (h); 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 or Acting 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.

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

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

"Revenue" or "System Revenue Fund" means the Revenue or System Revenue Fund established by Section 4.01 hereof.

"RUS" or "Government" means the United States of America, United States Department of Agriculture, Rural Utilities Service, and assignee or successor thereto.

"Series 2010 Bond Reserve Account" means the Series 2010 Bond Reserve Account established in the Series 2010 Bond Sinking Fund pursuant to Section 4.02 hereof.

"Series 2010 Bond Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the 2010 Bond in the then current or any succeeding year.

"Series 2010 Bond Sinking Fund" means the Series 2010 Bond Sinking Fund established by Section 4.02 hereof.

"State" means the State of West Virginia.

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

"Surplus Revenues" means the Net Revenues not required by the Ordinance to be set aside and held for the payment of or security for the Prior Bond, the Bond, or any other obligations of the Issuer, including the Renewal and Replacement Fund, and the Series 2010 Bond Reserve Account, the proceeds of which Bond or other obligations are to be used to pay Costs of the Project.

"System" means all facilities and other property of every nature, real and personal, now or hereafter owned, held or used in connection with the water system; and shall also include any and all additions, extensions, improvements, properties, or other facilities at any time acquired or constructed for the water system after completion of the Project.

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

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

ARTICLE II

AUTHORIZATION OF CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Construction of the Project. There is hereby authorized the acquisition, construction and equipping of the Project, at an estimated cost of $2,505,600 in accordance with plans and specifications to be prepared by the Consulting Engineers and filed in the office of the Governing Body. The proceeds of the Bond hereby authorized shall be applied as provided in Article IV hereof. The Issuer has received bids and has entered or will enter into contracts for the acquisition, construction and equipping of the Project, compatible with the financing plan submitted to RUS.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BOND

Section 3.01. **Authorization of Bond.** For the purposes of paying for acquisition, construction and equipping of the Project not otherwise provided for and paying certain costs of issuance of the Bonds and related costs, or any other purposes as determined by a Supplemental Resolution, there shall be issued negotiable Bonds of the Issuer, in the aggregate principal amount of $850,000 for acquisition, construction and equipping of the Project. Said Bond shall be issued and designated, "Water Revenue Bond, Series 2010", in the aggregate principal amount of $850,000 and shall have such terms as set forth hereinafter or in a Supplemental Resolution. The proceeds of the Bond remaining after funding of the Series 2010 Bond Reserve Account (if funded from Bond proceeds) shall, subject to Section 5.02 hereof, be deposited in or credited to the Construction Fund established by Section 4.01 hereof.

Section 3.02. **Terms of Bond.** The Bond shall be registered and numbered R-1. The Bond shall bear interest at a rate of 4.125% per annum. The Bond shall mature in not more than forty (40) years; and shall be redeemable in whole or in part, all as prescribed herein. The Bond shall be payable as to principal and interest monthly beginning May 5, 2012, 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. Principal and interest on the Bond 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 Government is the Registered Owner thereof.

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

Subsequent series of bonds shall be issued in fully registered form and in denominations and at such interest rates and shall be payable as determined by a new Bond Ordinance.

Section 3.03. **Execution of Bond.** The Mayor shall execute the Bond in the name of the Issuer, 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 the Bond shall cease to be such officer of the Issuer before the Bond so signed and sealed have been actually sold and delivered, such Bond may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bond had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Issuer by such person as at the actual time of the

execution of such Bond shall hold the proper office in the Issuer, although at the date of such Bond such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Ordinance unless and until the Bond Registrar shall have manually executed the Certificate of Authentication and Registration on such Bonds, substantially in the form set forth in Section 3.09. Any such executed Certificate of Authentication and Registration upon any such Bonds shall be conclusive evidence that such Bonds have been authenticated, registered and delivered under this Ordinance. The Certificate of Authentication and Registration on the Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Bond 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 Bond shall be conclusively deemed to have agreed that such Bond 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 the Bond remains outstanding, the Bond Registrar shall keep and maintain books for the registration and transfer of the Bonds.

The registered Bond 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 the Bond or transferring the registered Bond are exercised, the Bond shall be delivered in accordance with the provisions of this Ordinance. Any Bond surrendered in any such exchanges or transfers shall forthwith be canceled by the Bond Registrar. For every such exchange or transfer of the Bond, 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 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 the Bond during the period commencing on the 15th day of the month preceding an interest payment date on the Bond or, in the case of any proposed redemption of the Bond, next preceding the date of the selection of the Bond to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bond 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 Bond 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 canceled 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. Bond not to be Indebtedness of the Issuer. The Bond 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, on parity with the Prior Bonds, derived from the operation of the System as herein provided and amounts, if any, in the Series 2010 Bond Reserve Account. No holder of the Bond shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Bond or the interest thereon.

Section 3.08. Bond Secured by Pledge of Net Revenues. The payment of the debt service of the Bond shall be secured by a lien on the Net Revenues derived from the System on parity with the Prior Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bond and the Prior Bonds and to make the payments into the Series 2010 Bond Sinking Fund, the Series 2010 Bond Reserve Account therein and the Renewal and Replacement Fund, hereinafter established, are hereby irrevocably pledged to the payment of the principal of and interest on the Bond as the same become due.

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

(FORM OF SERIES 2010 BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF SPENCER
WATER REVENUE BOND,
SERIES 2010

No. R-1

$850,000
Date: May 5, 2010

KNOW ALL MEN BY THESE PRESENTS: That CITY OF SPENCER, a municipality, public corporation and political subdivision of the State of West Virginia in Roane 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 order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the sum of Eight Hundred Fifty Thousand and 00/100 Dollars ($850,000.00), or such lesser amount as set forth on the Record of Advances attached as Exhibit A hereto and incorporated herein by reference, plus interest on the unpaid principal balance at the rate of four and 125/1000 percent (4.125%) per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing on the 30th day following delivery of the Bond and continuing on the corresponding day of each month for the first twenty-four (24) months after the date hereof, and $3,698.00 covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of forty (40) years from the date of this Bond, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Issuer as requested by Issuer and approved by the Government, and interest shall accrue on the amount of each advance from its actual date as shown on the Record of Advances attached hereto and made a part hereof.

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to the principal. Payments shall be made at the office of the Municipal Bond Commission, Charleston, West Virginia, and shall be mailed to the registered owner hereof at the address as it appears on the books of the Issuer in its capacity as Registrar. Provided, however, for so long as the Government remains the owner of this Bond, the Issuer shall remit payments directly to the Government or any agency or department thereof.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Issuer. Refunds and extra payments, as defined in the regulations of the Rural Utilities Service, according to the source of funds involved, shall, after payment of interest, be

applied to the installments last to become due under this Bond and shall not affect the obligation of Issuer to pay the remaining installments as scheduled herein.

If the Government at any time assigns this Bond and insures the payment thereof, Issuer shall continue to make payments to the Government as collection agent for the holder.

While this Bond is held by an insured lender, prepayments as above authorized made by Issuer may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Issuer, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Issuer, and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security herefor, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Issuer to the Government without demand. Issuer agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

The Issuer hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for loans for similar purposes and periods of time.

This Bond is issued (i) to pay a portion of the costs of acquisition, construction and equipping of certain additions, betterments and improvements to the public water facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance hereof and related costs. The water system of the Issuer, together with the Project, and any further extensions, additions, betterments or improvements thereto is 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 of the West Virginia Code of 1931, as amended (the "Act"), and an Ordinance duly enacted by the Issuer and effective April 27, 2010 (the "Ordinance"), and is subject to all the terms and conditions thereof. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bond under the Ordinance.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System, from moneys in the Bond Reserve Account created or continued under the Ordinance for the Bonds (the "Bond Reserve Account") and

unexpended proceeds of the Bond, on parity with the Issuer's Waterworks System Bond, Series 1974, Water Revenue Bond, Series 1991, Water Revenue Bond, Series 1993, Water Revenue Bond, Series 1998 and Water Revenue Bond, Series 2009 (collectively, the "Prior Bonds"). Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Bond Reserve Account and unexpended proceeds of the Bond. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System and to leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount payable in any year for principal of and interest on the Bond and the Prior Bonds, and all other obligations secured by a lien on or payable from such net revenues prior to or on parity with the Bond, provided however, that so long as there exists in the Bond Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bond in the then current or any succeeding year and in the reserve account established for any other obligations outstanding prior to or on parity with the Bond, an amount at least equal to the requirement therefor, such percentage may be reduced to one hundred ten percent (110%).

The Issuer has entered into certain further covenants with the registered owner of the Bond for the terms of which reference is made to the Ordinance. Remedies provided the registered owner of the Bond are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of the Issuer, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the herein defined Bond Resolution, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of authorized denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

This Bond, under the provisions of the Act, is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may only be transferred by transfer of registration hereof with the Bond Registrar.

If at any time it shall appear to the Government that Issuer may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for loans for similar purposes and periods of time, Issuer will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government,

This Bond is given as evidence of a loan to Issuer made or insured by the Government pursuant to the Consolidated Farmers Home Rural Development Act, as amended. This Bond shall

be subject to the present regulations of the Rural Development Authority and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ON A PARITY AS TO LIEN AND SOURCE OF PAYMENT WITH THE WATERWORKS SYSTEM BOND, SERIES 1974, WATER REVENUE BOND, SERIES 1991, WATER REVENUE BOND, SERIES 1993, WATER REVENUE BOND, SERIES 1998, AND WATER REVENUE BOND, SERIES 2009 OF THE ISSUER DESCRIBED IN THE ORDINANCES ADOPTED WITH RESPECT TO EACH SERIES.

The initial address of Government for purposes of bond registration is Federal Building, Room 320, 75 High Street, Morgantown, WV 26505-7500.

This Bond will be in default should any proceeds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as set forth in Exhibit M of subpart G of Part 1940 of Title 7 of the Code of Federal Regulations, as amended.

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

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

IN WITNESS WHEREOF, CITY OF SPENCER 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 May 5, 2010.

CITY OF SPENCER

[SEAL]

By: _____
Mayor

ATTEST:

_____
Recorder

ASSIGNMENT

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

Dated: _____, 201_.

_____
(Assignor)

Witnessed in the presence of:

_____

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) $__,___.00	5/5/10	(6) $	
(2) $		(7) $	
(3) $		(8) $	
(4) $		(9) $	
(5) $		(10) $	

TOTAL $

Section 3.10. Sale of Bonds; Incorporation of Terms. The Series 2010 Bond shall be held to RUS pursuant to the terms and conditions of the Letter of Conditions from RUS dated January 25, 2008. If not so authorized by previous ordinance or resolution, the Mayor is specifically authorized and directed to accept the Letter of Conditions from RUS, with such changes, insertions and omissions as may be approved by the Mayor, the execution of which shall be conclusive evidence of such approval, and any such prior execution and delivery is hereby authorized, ratified and approved.

Section 3.11. Certificate of Consulting Engineers. Prior to the issuance of the Bond, the Issuer must obtain the certificate of the Consulting Engineers to the effect that the Project will be constructed in accordance with the approved plans and specifications, as submitted to RUS, the Project is or will be adequate for the purposes for which it was designed, and the funding plan, as submitted to RUS, is sufficient to pay the costs of the acquisition and construction of the Project.

ARTICLE IV

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 4.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created or continued 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:

(1) Revenue Fund or System Revenue Fund;

(2) Operation and Maintenance Fund;

(3) Renewal and Replacement Fund; and

(4) Construction Fund.

Section 4.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created or continued with the Commission:

(1) Series 2010 Bond Sinking Fund;

(a) Within the Series 2010 Bond Sinking Fund, the Series 2010 Bond Reserve Account.

Section 4.03. System Revenues; Flow of Funds.

A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the System Revenue Fund established herein. The Revenue Fund shall constitute a trust fund for the purposes provided in this Ordinance and shall be kept separate and distinct from

all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided.

(1) The Issuer shall first each month transfer from the Revenue Fund to the Operation and Maintenance Fund the amount necessary and sufficient to pay current Operating Expenses.

(2) The Issuer shall next, each month, on or before the due date of payment of each installment on the Bonds, transfer from the Revenue Fund and remit to the National Finance Office designated in the Bond (or such other place as may be provided pursuant to the Bond), the amount required to pay the interest on the Bond, and to amortize the principal of the Bonds over the respective lives of each Bond issue. All payments with respect to principal of and interest on the Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amount thereof outstanding and on parity with each other. There is hereby created a sinking fund at the Depository Bank into which the Issuer shall deposit sufficient amounts from the Revenue Fund to pay the interest on the Bonds and to amortize the principal of the Bonds over the remaining respective lives of each Bond issue. As long as the Government owns the Bonds, such deposits can be replaced by the remittances described above.

(3) The Issuer shall next, on the first day of each month, commencing one (1) month prior to the first date of payment of principal and interest of the Bond, if not fully funded upon issuance of the Bond, apportion and set apart out of the Revenue Fund and remit to the Commission, on a pro rata basis with the Prior Bonds, for deposit into the Series 2010 Bond Reserve Account, an amount equal to .833% of the Series 2010 Bond Reserve Requirement; provided, that no further payments shall be made into the Series 2010 Bond 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 2010 Bond Reserve Requirement.

Moneys in the Series 2010 Bond Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, as the same shall become due. Moneys in the Series 2010 Bond Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Bond, as the same shall come due, when other moneys in the attendant Series 2010 Bond Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 2010 Bond Sinking Fund and Series 2010 Bond 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 Construction 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 payments, if any, due on the respective series of bonds, and then to the next ensuing principal payments due thereon.

Any withdrawals from the Series 2010 Bond Reserve Account which result in a reduction in the balance of the Series 2010 Bond Reserve Accounts to below the Series 2010 Bond Reserve

Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full, to the Series 2010 Bond Sinking Fund for payment of debt service on the Bond.

B. As and when additional bonds ranking on parity with the Bond and the Prior Bonds are issued, provision shall be made for additional payments into the Sinking Fund sufficient to pay the interest on such additional parity bonds and accomplish retirement thereof at maturity and to accumulate a balance in the appropriate reserve account in an amount equal to the maximum provided and required to be paid into the Sinking Fund in any year for account of the bonds of such series, including such additional bonds which by their terms are payable from such Sinking Fund.

The Issuer shall not be required to make any further payments into the Series 2010 Bond Sinking Fund or into the Series 2010 Bond Reserve Account therein when the aggregate amount of funds in said Series 2010 Bond Sinking Fund and Series 2010 Bond Reserve Account are at least equal to the aggregate principal amount of the Bond issued pursuant to this Ordinance then Outstanding and all interest to accrue until the maturity thereof.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2010 Bond Sinking Fund created hereunder, and all amounts required for said Series 2010 Bond Sinking Fund shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein.

The payments into the Series 2010 Bond Sinking Fund shall be made on the first day of each month, except that when the first day of any month shall be a Sunday or legal holiday then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Ordinance.

Moneys in the Series 2010 Bond Reserve Account shall be invested and reinvested by the Commission in accordance with Section 7.01 hereof.

The Series 2010 Bond Sinking Fund, including the Series 2010 Bond Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Bond and any additional bonds ranking on parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

C. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Series 2010 Bond Sinking Fund, including the Series 2010 Bond Reserve Account therein and the Renewal and Replacement Fund during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Such Surplus Revenues shall be used to redeem the Bond or for any lawful purposes of the System.

D. The Issuer shall remit from the Revenue Fund to the Commission, the Paying Agent or the Depository Bank, on such dates as the Commission, the Paying Agent or the Depository Bank,

as the case may be, shall require, such additional sums as shall be necessary to pay the Commission's fees, the Paying Agent's fees and the Depository Bank's charges then due.

E. First Neighborhood Bank is hereby designated the Depository Bank. The Commission is hereby designated as Paying Agent for the Bond.

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

G. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this Section 4.03, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

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

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

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

Section 4.04. Excess Bond Proceeds. The Issuer shall place any excess proceeds from the Bonds not required by the Project in the Series 2010 Bond Reserve Account or as otherwise directed by RUS.

ARTICLE V

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 5.01. Application of Bond Proceeds. From the moneys received from time to time from the sale of the Bond, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Bond, there shall be deposited with the Commission in the Series 2010 Bond Reserve Account the sum, if any, required hereunder for funding the Series 2010 Bond Reserve Account.

B. The remaining moneys derived from the sale of the Bond shall be deposited by the Issuer as received from time to time in the Construction Fund established hereunder.

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

Section 5.02. Disbursements From the Construction Fund. Payments for Costs of the Project shall be made monthly.

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

Except as provided in Section 5.01 hereof, disbursements from the Construction Fund shall be made only after submission to, and approval by, RUS of the following:

(1) a completed and signed "Payment Requisition Form," and

(2) a certificate, signed by an Authorized Officer and the Consulting Engineers, stating:

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

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

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

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

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

Pending such application, moneys in the Construction Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

Until disbursed by the Issuer, moneys in the Construction Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VI

ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01. **General Covenants of the Issuer.** All the covenants, agreements and provisions of this Ordinance shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bond. In addition to the other covenants, agreements and provisions of this Ordinance, the Issuer hereby covenants and agrees with the Holders of the Bond as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as said Bond or the interest thereon is Outstanding and unpaid.

Section 6.02. **Bond Not to be Indebtedness of the Issuer.** The Bond shall be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Ordinance. No Holder or Holders of the Bond shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Bond or the interest thereon.

Section 6.03. **Bond Secured by Pledge of Net Revenues.** The payment of the debt service of the Bond issued hereunder shall be secured forthwith on parity with the Net Revenues with the Prior Bonds derived from the operation of the System including any other fees collected by the Issuer and imposed by the tariff approved by the Governing Body of the Issuer on March 1, 2007. The Revenues derived from the System, in amounts sufficient to pay the principal of and interest on the Bond and to make the payments into the Series 2010 Bond Sinking Fund, including the Series 2010 Bond Reserve Account therein, and all other payments provided for in the Ordinance and the tariff are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Bond as the same become due, and for the other purposes provided in the Ordinance.

Section 6.04. **Rates.** Prior to issuance of the Bond, equitable rates or charges for the proposed and/or actual use of and service rendered by the System have been or will be 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. The Issuer shall take the necessary actions with respect to the imposition of rates at such times and with such provisions with respect to interest rate and maturity of the Bond to finance the issuance of the Bond as the purchaser thereof shall require. 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 (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each Fiscal Year equal to at least one hundred fifteen percent (115%) of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Bond and the Prior Bonds; provided that, in the event that amounts at least equal to or in excess of the Reserve Requirements are on deposit in the Series 2010 Bond Reserve Account and the Reserve Accounts for the Bond and the Prior Bonds are funded at least at the requirement provided for in the Ordinance, such balances each Fiscal Year need only equal at least one hundred ten percent (110%) of the maximum amounts required in any succeeding Fiscal Year for payment of principal of and interest on the Bond and the Prior Bonds.

Section 6.05. Completion, Operation and Maintenance; Schedule of Costs. The Issuer shall simultaneously with the delivery of the Bond or immediately thereafter enter into written contracts for the immediate acquisition or construction of the Project. The Issuer will expeditiously complete the Project and will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of said System in the manner provided in the Ordinance.

Section 6.06. Sale of the System. Except as otherwise required by state law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Outstanding Bonds and effectively defease this Ordinance in accordance with Section 9.01 hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Outstanding Bonds, immediately be remitted to the Commission for deposit in the Series 2010 Bond Sinking Fund, and, with the written permission of the Government, or in the event the Government is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Outstanding Bonds. Any balance remaining after the payment of all the Outstanding Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of $10,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such

property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $10,000 and not in excess of $50,000, shall with the written consent of RUS, be remitted by the Issuer to the Commission for deposit in the Series 2010 Bond Sinking Funds and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the redemption price of such Bonds. Such payment of such proceeds into the Series 2010 Bond Sinking Funds or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Ordinance. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay all Bonds then outstanding without the prior approval and consent in writing of RUS, of sixty-six and two-thirds percent (66 2/3%) in amount of the Bonds then outstanding. The Issuer shall prepare the form of such approval and consent for execution by RUS for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 6.07. **Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances.** Except as provided in this Section 6.07 and in Section 6.08B, the Issuer shall not issue any obligations whatsoever with a lien on or otherwise payable from any source of payment pledged originally 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 Bond. All obligations issued by the Issuer after the issuance of the Bond 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 Bond; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the Series 2010 Bond Reserve Accounts and the Renewal and Replacement Fund at the time of the issuance of such subordinate obligations have been made and are current.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on parity with the lien of the Bond, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Bond and the interest thereon in this Ordinance, or upon the System or any part thereof. The Issuer will give RUS prior written notice of the issuance of other obligations to be used for the Project, payable from System revenues or grants for the Project.

Section 6.08. **Parity Bonds.** A. No Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Bond issued pursuant to this Ordinance, 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 Bond and Prior Bonds and shall be issued with the written consent of the Government.

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

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Recorder a written statement by the Independent Certified Public Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any twelve (12) consecutive months, within the eighteen (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 three (3) succeeding years after the completion of the improvements to be financed by such Parity Bonds, shall not be less than one hundred fifteen percent (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 Series 2010 Bond and Prior 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 three (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 adopted by the Issuer, the period for appeal of which has expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the Recorder prior to the issuance of such Parity Bonds.

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

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

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

increased payments into the various funds and accounts created in this Ordinance required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Ordinance.

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

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

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in this Ordinance with respect to the Bond then outstanding, and any other payments provided for in this Ordinance, 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 Ordinance.

B. Notwithstanding the foregoing, the Issuer may issue Parity Bonds without compliance with any other conditions for the purpose of refunding prior to maturity any issues or series of bonds, provided that the annual debt service required on account of the refunding bonds and the bonds which are not refunded shall not be greater in any year in which the bonds not refunded and the refunding bonds are to be Outstanding than the annual debt service required in such year if the bonds to be refunded were not so refunded.

Section 6.09. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, the costs of acquiring the Project site, construction, and installing the Project, and RUS 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 Issuer shall keep complete and accurate records of the costs of designing the System, acquiring the Project site and acquiring, constructing and installing the Project. The Issuer shall permit RUS, or its 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 RUS such documents and information as it may reasonably require in connection with the design, 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 RUS, or its agents and representatives, to inspect all records pertaining to the construction and operation 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 shall 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 owner of a Bond or Bonds issued pursuant to the Ordinance 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. The Issuer shall maintain separate control accounting records. Subsidiary records as may be required shall be kept in the manner and on the forms, books and other bookkeeping records as prescribed by the Governing Body. The Governing Body shall prescribe and institute the manner by which subsidiary records of the accounting system, which may be installed remote from the direct supervision of the Governing Body shall be reported to such agent of the Issuer as the Governing Body shall direct.

The Issuer shall file with the Consulting Engineers and RUS 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 Ordinance with respect to said Bonds and the status of all said funds and accounts.

(C) The amount of any Outstanding Bonds or other obligations outstanding and secured by a lien on the Net Revenues of the System.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with the applicable OMB Circular, or any successor thereto, and the Single Audit Act, or any successor thereto, and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to the Holder of the Bond and shall submit said report to RUS. Such audit report submitted to RUS shall include a statement that the Issuer is in compliance with the terms and provisions of this Ordinance and the Act and that Gross Revenues are adequate to meet operation/maintenance expenses and debt service requirements.

The Issuer shall permit RUS, or its agents and representatives, to enter and inspect the Project site and Project facilities at all reasonable times. Prior to, during and after completion of construction of the Project, the Issuer shall also provide RUS, or its agents and representatives, with access to the plans, drawings, specifications, System site and System facilities as may be reasonably

necessary to accomplish all of the powers and rights of RUS with respect to the System pursuant to the Act.

Section 6.10. Compliance With Ordinance, Rules and Regulations. The Issuer hereby covenants and agrees to perform and satisfy all terms and conditions of this Ordinance and to comply with all applicable laws, rules and regulations issued by the Government, or other state, federal or local bodies in regard to the construction of the Project and operation, maintenance and use of the System.

Section 6.11. Operating Budget and Audit. The Issuer shall annually, at least forty-five (45) days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated reserves and expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of ten percent (10%) of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall, within thirty (30) days of the adoption thereof, mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to RUS and to any Holder of the Bond, who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to RUS, or anyone acting for and on behalf of such Holder of the Bond.

In addition, the Issuer shall annually cause the records of the System to be audited by an Independent Certified Public Accountant, the report of which audit shall be submitted to RUS and which audit report shall include a statement that the Issuer is in compliance with the terms and provisions of this Ordinance.

Section 6.12. Engineering Services and Operating Personnel. The Issuer shall provide and maintain competent and adequate resident engineering services satisfactory to RUS covering the supervision and inspection of the construction of the Project and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such resident engineer shall certify to RUS and the Issuer at the completion of construction that construction of the Project is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

The Issuer shall require the Consulting Engineers to submit the As-Built Plans to it within sixty (60) days of the completion of the Project.

Section 6.13. 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 6.14. 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 thirty (30) days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid, to the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia. Rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System and any services and facilities of the water system, if so owned by the Issuer, to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services of either system until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 6.15. 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 6.16. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Bond remains Outstanding, the Issuer and its contractors and subcontractors 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 Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the prime contractor and all subcontractors, as their respective interests may appear, during construction of the Project on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of RUS, the Issuer, the contractors and subcontractors, as their interests may appear.

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

(3) WORKERS' COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT BONDS, such bonds to be in the amounts of one hundred percent (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, to the extent available at reasonable cost to the Issuer.

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

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 one hundred percent (100%) of the contract price of the portion of the Project covered by the particular contract as security for the faithful performance of such contract.

C. The Issuer shall also require all contractors engaged in the construction of the Project to carry such Workers' Compensation coverage for all employees working on the Project and public

liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project. Such insurance shall be made payable to the order of RUS, the Issuer, the prime contractor and all subcontractors, as their interests may appear.

Section 6.17. Completion of Project; Permits and Orders. The Issuer will complete the Project as promptly as possible and operate and maintain the System in good condition and in compliance with all federal and State requirements and standards.

The Issuer will obtain all permits required by State and federal laws for the acquisition and construction of the Project and all orders and approvals from the West Virginia Public Service Commission necessary for the acquisition and construction of the Project and the operation of the System.

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

A. PUBLIC PURPOSE BONDS. The Issuer shall use the Bond proceeds solely for the Project and as otherwise set forth herein, and the Project will be solely operated as a public purpose and as a local governmental activity of the Issuer.

B. PRIVATE ACTIVITY BOND COVENANT. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bond from the treatment afforded by Section 103(a) of the Code by reason of the classification of the Bond as "private activity bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code in order to assure the tax-exempt status of the Bond.

C. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of five percent (5%) of the Net Proceeds of the Bonds 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.

D. 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 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code and Regulations promulgated thereunder.

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

F. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it (including those deemed necessary by RUS) so that the interest on the 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 those determined by RUS) which would adversely affect such exclusion.

Section 6.19. Public Service Commission Approval. The Issuer shall obtain all requisite orders of and approvals from the Public Service Commission of West Virginia necessary for the construction of the Project and operation of the System, and RUS shall receive an opinion of counsel to the Issuer to such effect.

Section 6.20. Compensation of Members of Governing Body. The Issuer hereby covenants and agrees that no compensation for policy direction shall be paid to the members of the Governing Body in excess of the amount permitted by the Act. Payment of any compensation to any such member for policy direction shall not be made if such payment would cause the Net Revenues to fall below the amount required to meet all payments provided for herein, nor when there is default in the performance of or compliance with any covenant or provision hereof.

Section 6.21. Statutory Mortgage. For the further protection of the holders of the Bond, 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 and shall take effect immediately upon delivery of the Bonds.

Section 6.22. Restrictions on Use of Bond Proceeds. The Issuer agrees that it will be in default hereunder if any Bond proceeds are used for a purpose that contributes to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

ARTICLE VII

INVESTMENT OF FUNDS

Section 7.01. Investments. Any moneys held as a part of the funds and accounts created by this Ordinance, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Depository Bank, or such other bank or national banking association holding such fund or account, as the case may be, at the written direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Ordinance and the need for such moneys for the purposes set forth herein.

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, 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 the Bond is outstanding.

ARTICLE VIII

DEFAULT AND REMEDIES

Section 8.01. **Events of Default.** Each of the following events shall constitute an "Event of Default" with respect to the Bond or the Prior Bonds:

(1) If default occurs in the due and punctual payment of the principal of the Bond or the Prior Bonds; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Bond set forth in this Ordinance, any Supplemental Resolution or the Bond or in the Prior Bonds or the ordinance and resolution which authorized the Prior Bonds, and such default shall have continued for a period of thirty (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 the Bond or the Prior Bonds; 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.

Section 8.02. **Remedies.** Upon the happening and continuance of any Event of Default, any Registered Owner of Outstanding Bonds 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 then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Ordinance 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 Outstanding Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Outstanding Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Ordinance with respect to the Outstanding Bonds, or the rights of such Registered Owners. Any such remedies shall be exercised in a manner benefiting the holder of the Series 2010 Bond and the Prior Bonds on a parity basis.

Section 8.03. **Appointment of Receiver.** Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Ordinance 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 Bond any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System 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 Bond and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Ordinance and the Act.

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

Whenever all that is due upon the Bond and under any covenants of this Ordinance 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 Ordinance shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Registered Owner of the Bond shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Bond. 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 Owner of such Bond and the curing and making good of any Event of Default with respect thereto under the provisions of this Ordinance, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE IX

(RESERVED)

ARTICLE X

RATES, RULES, COVENANTS, ETC.

Section 10.01. Initial Schedule of Rates and Charges.

A. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in a Tariff on file with the Public Service Commission effective on or after October 18, 2009, which Tariff is incorporated herein by reference and is made a part hereof.

B. The Issuer hereby ratifies a Rate Ordinance enacted on November 13, 2009, which sets forth the rates and charges as set out in the above-referenced order and included on the tariff sheet filed with the Public Service Commission.

Section 10.02. Further Covenants.

The Issuer hereby further covenants and agrees as follows:

A. There shall not be any discrimination or differential in rates between customers in similar circumstances.

B. The Issuer may require any applicant for any service by the System to deposit a reasonable and equitable amount to insure payment of all charges for the services rendered by the System, which deposit shall be handled and disposed of under the applicable rules and regulations of the Public Service Commission of West Virginia.

C. The Issuer, to the extent permitted by law, will not accept payment of any water bill from a customer served with water and water services by the Issuer without payment at the same time of a water bill owed by such customer for the same premises.

D. All delinquent fees, rates and charges for services or facilities of the System shall be liens on the premises served of equal degree, rank and priority with the lien on such premises of state, county, school and municipal taxes, as provided in the Act. The Issuer shall have such remedies and powers as are provided under the Act and other applicable provisions of law with regard to the collection and enforcement of such fees, rates and charges.

E. The Issuer will not render or cause to be rendered any free services of any nature by the System nor any of the facilities; and in the event that the Issuer or any department, agency, officer or employee thereof should avail itself or themselves of the services or facilities of the System, the same fees, rates and charges applicable to other customers receiving like services under similar circumstances shall be charged, such charges shall be paid as they accrue, and

revenues so received shall be deposited and accounted for in the same manner as other Revenues of the System.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Filing Under Uniform Commercial Code. Contemporaneously with the delivery of the Bond, the Issuer shall execute Financing Statements meeting the requirements of the Uniform Commercial Code of West Virginia and promptly thereafter shall file such Financing Statements in the office of the Secretary of State of West Virginia.

Section 11.02. Delivery of Bond. The Mayor and Recorder of the Governing Body are hereby authorized and directed to cause the Bond, numbered R-l, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

Section 11.03. Payment of Bond. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holder of the Bond, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Ordinance, then, with respect to the Bond only, the pledge of Net Revenues and other moneys and securities pledged under this Ordinance and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Bond shall thereupon cease, terminate and become void and be discharged and satisfied. Except through such direct payment to the Holder of the Bond, the Issuer may not defease the Bond or otherwise provide for payment thereof by escrow or like manner.

Section 11.04. Severability of Invalid Provision. If any one or more of the covenants, agreements or provisions hereof should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions hereof, and shall in no way affect the validity of all the other provisions hereof or the Bond.

Section 11.05. Amendment or Modification of Ordinance. No material modification or amendment of this Ordinance, or of any ordinance or resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owner of the Bond shall be made without the consent in writing of the Registered Owners of 66 2/3% or more in principal amount of the Bond so affected and then Outstanding; provided, that no change shall be made in the maturity of the Bond 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 Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of the Bond required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Ordinance may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code as may be

necessary to assure the excludability of interest on the Bond from gross income of the holder thereof.

Section 11.06. Ordinance Constitutes Contract. The provisions of this Ordinance shall constitute a contract between the Issuer and the Registered Owner of the Bond, and no change, variation or alteration of any kind of the provisions of this Ordinance shall be made in any manner, except as in this Ordinance provided.

Section 11.07. Conflicting Provisions Repealed. All ordinances and orders, or parts thereof, in conflict with the provisions hereof are, to the extent of such conflicts, hereby repealed except the Prior Ordinances.

Section 11.08. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 11.09. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Ordinance do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State applicable thereto; and that the Mayor, 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 11.10. Supplemental Resolutions. The Issuer may pass such supplemental resolutions, if necessary, to effectuate the purposes and intent of this Ordinance.

Section 11.11. Effective Time. This Ordinance shall take effect immediately upon its adoption.

Section 11.12. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Bond Ordinance determined by the Governing Body to contain sufficient information as to give notice of the contents hereof shall be published once a week for two (2) successive weeks within a period of fourteen (14) consecutive days, with at least six (6) full days intervening between each publication, in a qualified newspaper published and of general circulation in the City of Spencer, together with a notice stating that this Bond Ordinance has been adopted and that the Issuer contemplates the issuance of the Bonds, and that any person interested may appear before the City Council upon a date certain, not less than ten (10) days subsequent to the date of the first publication of such abstract of this Bond Ordinance and notice, and present protests, and that a certified copy of the Ordinance is on file with the Governing Body for review by interested persons during office hours of the Governing Body. At such hearing, all objections and suggestions shall be heard, and the Governing Body shall take such action as it shall deem proper in the premises.

First Reading – April 1, 2010

Second Reading – April 20, 2010

Enacted Following Public Hearing – April 27, 2010

CITY OF SPENCER, WEST VIRGINIA

By: _____
Mayor

[SEAL]

ATTEST:

_____
Recorder

CERTIFICATION

The undersigned does hereby certify that the attached Ordinance is a true and accurate copy of an Ordinance duly enacted by the Council of the CITY OF SPENCER, WEST VIRGINIA on and effective on April 27, 2010, and that the foregoing document remains in full force and effect and has not been amended.

Dated: April 27, 2010.

[SEAL]

David A Holland /as
Recorder

CERTIFICATE OF LIABILITY INSURANCE

ADDITIONAL INSURED: CITY OF SPENCER
116 COURT STREET
SPENCER, WV 25276

CERTIFICATE NO: L 0474 - Oct 9, 1987

This certifies that the insured named above is an Additional Insured for the Coverage indicated below under General Liability Policy GL 4406410 and Automobile Policy CA 4982771 issued to the State of West Virginia by NATIONAL UNION FIRE INSURANCE CO. OF PITTSBURGH, PA.

COVERAGE PERIOD: Jul 1, 2012 to Jul 1, 2013 12:01 a.m. Eastern Time

COVERAGE AFFORDED: Comprehensive General Liability Insurance
Personal Injury Liability Insurance
Professional Liability Insurance
Stop Gap Liability Insurance
Wrongful Act Liability Coverage
Comprehensive Auto Liability Coverage
Auto Physical Damage Insurance
Garagekeepers Insurance

LIMIT OF LIABILITY: $1,000,000 each occurence* and is SUBJECT TO $2,500 DEDUCTIBLE. *For all coverages combined. This limit is not increased if a claim is insured under more than one coverage or if claim is made against more than one insured.

SPECIAL LIMITS: The auto physical damage limit is the actual cash value of each vehicle subject to a deductible of $1,000.

CLAIM REPORTING: Claims should be reported to:
Claim Manager
West Virginia Board of Risk & Insurance Management
90 MacCorkle Avenue S.W.Suite 203
South Charleston, West Virginia 25303

Claims Made Prior Acts Date:

THE INSURANCE EVIDENCED BY THIS CERTIFICATE IS SUBJECT TO ALL OF THE TERMS, CONDITIONS, EXCLUSIONS AND DEFINITIONS IN THE POLICIES. IT IS A CONDITION PRECEDENT OF COVERAGE UNDER THE POLICIES THAT THE ADDITIONAL INSURED DOES NOT WAIVE ANY STATUTORY OR COMMON LAW IMMUNITY CONFERRED UPON IT.

BY: Jerry W. Gladwell DATED: June 13, 2012
AUTHORIZED REPRESENTATIVE

AGENT OF RECORD: DYE & WILLIAMS INSURANCE

217 CHURCH STREET
SPENCER, WV 25276

CERTIFICATE OF PROPERTY INSURANCE

INSURED: CITY OF SPENCER

116 COURT STREET
SPENCER, WV 25276

CERTIFICATE NO: P 0474 - Oct 9, 1987

This certifies that the Additional Insured named above is insured for first party Property Coverages procured and/or administered by the West Virginia Board of Risk and Insurance Management (BRIM). The coverages are provided through a combination of custom designed and conventional commercial insurance products.

THE INSURANCE EVIDENCED BY THIS CERTIFICATE IS SUBJECT TO ALL OF THE TERMS, CONDITIONS, EXCLUSIONS AND DEFINITIONS CONTAINED IN THE POLICIES.

COVERAGE PERIOD: Jul 1, 2012 to Jul 1, 2013 12:01 a.m. Eastern Time

LIMIT OF LIABILITY: Stated values, for real and personal property, which have been declared to and accepted by BRIM, not to exceed the maximum coverage procured by BRIM.

THIS POLICY DOES NOT COVER DAMAGE FROM FLOOD. FOR INFORMATION ABOUT FLOOD INSURANCE, CONTACT THE NATIONAL FLOOD INSURANCE PROGRAM OR YOUR INSURANCE AGENT.

SPECIAL LIMITS: Each policy shall be governed by the special limits of liability contained therein.

DEDUCTIBLE: The State of West Virginia has a $1,000,000.00 deductible on coverages it procures. The above listed insured has a $2,500 deductible that is applicable to each loss.

CLAIM REPORTING: Claims should be reported to:
Claim Manager
West Virginia Board of Risk & Insurance Management
90 MacCorkle Avenue S.W.Suite 203
South Charleston, West Virginia 25303

BY: Jayne W Gladwell
AUTHORIZED REPRESENTATIVE

DATED: June 13, 2012

AGENT OF RECORD: DYE & WILLIAMS INSURANCE

217 CHURCH STREET
SPENCER, WV 25276

ARTICLE 19

MUNICIPAL AND COUNTY WATERWORKS AND ELECTRIC POWER SYSTEMS

Part I—Municipal Waterworks and Electric Power Systems Authorized; Definition.

Section

8–19–1. Acquisition and operation of municipal and county waterworks and electric power systems; construction of improvements to municipal and county electric power systems; extension beyond corporate limits; definitions.

Part II—Limitations on Sale or Lease of Certain Municipal Waterworks.

8–19–2. Repealed.

Part III—Right of Eminent Domain.

8–19–3. Right of eminent domain; limitations.

Part IV—Revenue Bond Financing.

8–19–4. Estimate of cost; ordinance or order for issuance of revenue bonds; interest on bonds; rates for services; exemption from taxation.

8–19–5. Publication of abstract of ordinance or order and notice; hearing.

8–19–6. Amount, negotiability and execution of bonds.

8–19–7. Bonds payable solely from revenues; not to constitute municipal or county indebtedness.

8–19–8. Lien of bondholders; deeds of trust; security agreements; priority of liens.

8–19–9. Covenants with bondholders.

8–19–10. Operating contract.

8–19–11. Rates or charges for water and electric power must be sufficient to pay bonds, etc.; disposition of surplus.

8–19–12. Service charges; sinking fund; amount of bonds; additional bonds; surplus.

8–19–12a. Lien for delinquent service rates and charges; failure to cure delinquency; civil actions; deferral of filing fees and costs in magistrate court action; limitations with respect to foreclosure.

8–19–13. Discontinuance of water or electric power service for nonpayment of rates or charges.

8–19–14. Bonds for additions, betterments and improvements.

8–19–15. System of accounts; audit.

8–19–16. Protection and enforcement of rights of bondholders, etc.; receivership.

Part V—Grants, Loans, Advances and Agreements; Cumulative Authority.

8–19–17. Grants, loans, advances and agreements.

8–19–18. Additional and alternative method for constructing or improving and for financing waterworks or electric power system; cumulative authority.

Part VI—Operation by Board; Construction.

8–19–19. Alternative procedure for acquisition, construction or improvement of waterworks or electric power system.

8–19–20. Article to be liberally construed.

8–19–21. Specifications for water mains and water service pipes.

PART I—MUNICIPAL WATERWORKS AND ELECTRIC POWER SYSTEMS AUTHORIZED; DEFINITION

§ 8-19-1. Acquisition and operation of municipal and county waterworks and electric power systems; construction of improvements to municipal and county electric power systems; extension beyond corporate limits; definitions

(a) Subject to and in accordance with the provisions of this article, any municipality or county commission may acquire, construct, establish, extend, equip, repair, maintain and operate, or lease to others for operation, a waterworks system or an electric power system or construct, maintain and operate additions, betterments and improvements to an existing waterworks system or an existing electric power system, notwithstanding any provision or limitation to the contrary in any other law or charter: Provided, That such municipality or county commission shall not serve or supply water facilities or electric power facilities or services within the corporate limits of any other municipality or county commission without the consent of the governing body of such other municipality or county commission.

(b) Any municipality or county commission which intends to file an application with the federal energy regulatory commission for a license to acquire, construct, establish, extend, maintain and operate, or lease to others for operation, an electric power system, shall give written notice by certified mail, return receipt requested, and shall give public notice by Class I legal advertisement in compliance with the provisions of article three, chapter fifty-nine of this code and the publication area shall be the municipality or county in which the system is to be located to the governing body of the municipality or the county commission in which such system is or shall be located or, if such system is or shall be located outside of a municipality or county, to the county commission of the county in which such system is or shall be located, at least sixty days prior to the filing of such application: Provided, That the provisions of this subsection shall not apply to any municipality or county commission which, on the date of the passage of this act, has obtained a license from the federal energy regulatory commission to acquire, construct, establish, extend, maintain and operate, or lease to others for operation, an electric power system. If the municipality or county commission receiving such notice does not respond to the notice within sixty days of receipt of such notice, then such other municipality or the county commission shall be deemed to have consented to the application for the proposed electric power system. If such other municipality or the county commission notifies the municipality or county commission that it objects to the proposed electric power system, such other municipality or the county commission shall hold a public hearing on the proposed system within sixty days of receipt of such notice from the municipality or county commission.

(c) As used in this article:

(1) "Waterworks system" means a waterworks system in its entirety or any integral part thereof, including mains, hydrants, meters, valves, standpipes,

storage tanks, pump tanks, pumping stations, intakes, wells, impounding reservoirs, pumps, machinery, purification plants, softening apparatus and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to a water supply system.

(2) "Electric power system" means a system or facility which produces electric power in its entirety or provides for the distribution of electric power for local consumption and use or for distribution and resale or any combination thereof, or any integral part thereof, including, but not limited to, power lines and wires, power poles, guy wires, insulators, transformers, generators, cables, power line towers, voltage regulators, meters, power substations, machinery and all other facilities necessary, appropriate, useful or convenient or incidental in connection with or to an electric power supply system.

Acts 1933, Ex. Sess., c. 26, § 1; Acts 1937, c. 52; Acts 1939, c. 97; Acts 1949, c. 90; Acts 1955, c. 133; Acts 1969, c. 86; Acts 1978, c. 72; Acts 1983, c. 151; Acts 1986, c. 118; Acts 1986, 1st Ex. Sess., c. 18; Acts 1990, c. 141.

Cross References

Creation by charter provision of certain independent city boards, home rule powers for cities, see § 8–12–3.
General powers of every municipality and its governing body, see § 8–12–5.

Library References

Key Numbers
Electricity ⇐1.5.
Waters and Water Courses ⇐183.
Westlaw Key Number Searches: 145k1.5; 405k183.

Encyclopedias
C.J.S. Electricity § 6.
C.J.S. Waters §§ 228, 235.

Part II—Limitations on Sale or Lease of Certain Municipal Waterworks

§ 8–19–2. Repealed by Acts 1974, c. 78

Part III—Right of Eminent Domain

§ 8–19–3. Right of eminent domain; limitations

For the purpose of acquiring, constructing, establishing or extending any waterworks system or electric power system, or for the purpose of constructing any additions, betterments or improvements to any waterworks or electric power system, or for the purpose of acquiring any property necessary, appropriate, useful, convenient or incidental for or to any waterworks or electric power system, under the provisions of this article, the municipality or county commission shall have the right of eminent domain as provided in chapter fifty-four of this code: Provided, That such right of eminent domain for the acquisition of a privately owned waterworks system, or electric power system, or any part thereof, shall not be exercised without prior approval of the public service commission, and in no event shall any municipality or county commis-

sion construct, establish or extend beyond the corporate limits of said municipality or county line a municipal or county waterworks or electric power system under the provisions of this article to supply service in competition with an existing privately or municipally or county owned waterworks or electric power system in such municipality or county or within the proposed extension of such system, unless a certificate of public convenience and necessity therefor shall have been issued by the public service commission: Provided, however, That a municipality or county commission may not exercise such right of eminent domain over a privately owned electric power system or any part thereof for the purpose of acquiring, constructing, establishing or extending an electric power system.

Subject to the provisions of this article and notwithstanding the provisions of section nineteen, article twelve of this chapter to the contrary, a municipality or county commission may acquire, construct, establish, extend, equip, repair, maintain and operate, or lease to others for operation, electric generators or electric generating systems or electric transmission systems more than one mile beyond the corporate limits of such municipality or county line and said electric generation systems shall not be under the jurisdiction of the public service commission.

Acts 1933, Ex. Sess., c. 26, § 9; Acts 1937, c. 52; Acts 1969, c. 86; Acts 1978, c. 72; Acts 1983, c. 151; Acts 1990, c. 141.

Library References

Key Numbers

Eminent Domain ⇐28, 35.
Westlaw Key Number Searches: 148k28; 148k35; 268k950(15).

Encyclopedias

C.J.S. Eminent Domain §§ 38 to 39, 49.

Notes of Decisions

In general 1

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1. In general

The section of the municipal home rule statute enabling municipalities to acquire and establish water, gas and electric systems does not authorize the use of the power of eminent domain for the acquisition of privately owned public utilities, but merely authorizes the establishment of utility systems through the process of construction and by the purchase of franchises and properties of going utility concerns. Code 1937, 8A-4-26. City of Mullens v. Union Power Co., 1940, 7 S.E.2d 870, 122 W.Va. 179. Eminent Domain ⇐ 47(1)

PART IV—REVENUE BOND FINANCING

§ 8-19-4. Estimate of cost; ordinance or order for issuance of revenue bonds; interest on bonds; rates for services; exemption from taxation

Whenever a municipality or county commission shall, under the provisions of this article, determine to acquire, by purchase or otherwise, construct, establish, extend or equip a waterworks system or an electric power system, or to construct any additions, betterments or improvements to any waterworks or electric power system, it shall cause an estimate to be made of the cost thereof,

and may, by ordinance or order, provide for the issuance of revenue bonds under the provisions of this article, which ordinance or order shall set forth a brief description of the contemplated undertaking, the estimated cost thereof, the amount, rate or rates of interest, the time and place of payment, and other details in connection with the issuance of the bonds. Such bonds shall be in such form and shall be negotiated and sold in such manner and upon such terms as the governing body of such municipality or county commission may by ordinance or order specify. All such bonds and the interest thereon shall be exempt from all taxation by this state, or any county, municipality or county commission, political subdivision or agency thereof. Notwithstanding any other provision of this code to the contrary, the real and personal property which a municipality or county has acquired and constructed according to the provisions of this article, and any leasehold interest therein held by other persons, shall be deemed public property and shall be exempt from taxation by the state, or any county, municipality or other levying body, so long as the same is owned by such municipality or county: Provided, That with respect to electric power systems, this exemption for real and personal property shall be applicable only for such real and personal property (1) physically situate within the municipal or county boundaries of the municipality or county which acquired or constructed such electric power system and there was in place prior to the effective date of the amendments to this section made in the year one thousand nine hundred ninety-two an agreement between the municipality and the county commission for payments in lieu of tax, or (2) acquired or constructed with the written agreement of the county school board, county commission and any municipal authority within whose jurisdiction the electric power system is or is to be physically situate. Notwithstanding anything contained in this statute to the contrary, this exemption shall be applicable to any leasehold or similar interest held by persons other than a municipality or county only if acquired or constructed with the written agreement of the county school board, county commission and any municipal authority within whose jurisdiction the electric power system is or is to be physically situate: Provided, however, That payments made to any county commission, county school board or municipality in lieu of tax pursuant to such an agreement shall be distributed as if the payments resulted from ad valorem property taxation. Such bonds shall bear interest at a rate per annum set by the municipality or county commission, payable at such times, and shall be payable as to principal at such times, not exceeding fifty years from their date, and at such place or places, within or without the state, as shall be prescribed in the ordinance or order providing for their issuance. Unless the governing body of the municipality or county commission shall otherwise determine, such ordinance or order shall also declare that a statutory mortgage lien shall exist upon the property so to be acquired, constructed, established, extended or equipped, fix minimum rates or charges for water or electricity to be collected prior to the payment of all of said bonds and shall pledge the revenues derived from the waterworks or electric power system for the purpose of paying such bonds and interest thereon, which pledge shall definitely fix and determine the amount of revenues which shall be necessary to be set apart and applied to the payment of the

principal of and interest upon the bonds and the proportion of the balance of such revenues, which are to be set aside as a proper and adequate depreciation account, and the remainder shall be set aside for the reasonable and proper maintenance and operation thereof. The rates or charges to be charged for the services from such waterworks or electric power system shall be sufficient at all times to provide for the payment of interest upon all bonds and to create a sinking fund to pay the principal thereof as and when the same become due, and reasonable reserves therefor, and to provide for the repair, maintenance and operation of the waterworks or electric power system, and to provide an adequate depreciation fund, and to make any other payments which shall be required or provided for in the ordinance or order authorizing the issuance of said bonds.

Acts 1933, Ex. Sess., c. 26, § 3; Acts 1933, 2nd Ex. Sess., c. 49; Acts 1955, c. 133; Acts 1969, c. 86; Acts 1970, c. 7; Acts 1978, c. 72; Acts 1980, c. 33; Acts 1981, 1st Ex. Sess., c. 2; Acts 1984, c. 128; Acts 1986, 1st Ex. Sess., c. 18; Acts 1990, c. 141; Acts 1992, c. 147.

Library References

Key Numbers

Municipal Corporations ⇐950(15).
Taxation ⇐215, 218.
Westlaw Key Number Searches: 371k215; 371k218.

Encyclopedias

C.J.S. Municipal Corporations §§ 1708 to 1709.
C.J.S. Taxation §§ 252, 256, 260.

§ 8–19–5. Publication of abstract of ordinance or order and notice; hearing

After the ordinance or order for any project under this article has been adopted, an abstract of the ordinance or order, determined by the governing body to contain sufficient information as to give notice of the contents of such ordinance or order, together with the following described notice, shall be published as a Class II legal advertisement in compliance with the provisions of article three, chapter fifty-nine of this code, and the publication area for such publication shall be the municipality or county. The notice to be published with said abstract of the ordinance or order shall state that said ordinance or order has been adopted, that the municipality or county commission contemplates the issuance of the bonds described in the ordinance or order, that any person interested may appear before the governing body, upon a certain date, which shall be not less than ten days subsequent to the date of the first publication of such abstract and notice and which shall not be prior to the date of the last publication by such abstract and notice, and present protests, and that a certified copy of the ordinance or order is on file with the governing body for review by interested parties during the office hours of the governing body. At such hearing all protests and suggestions shall be heard and the governing body shall take such action as it considers proper in the premises: Provided, That if at such hearing written protest is filed by thirty percent or more of the freeholders of the municipality or county, then the governing body of said municipality or county shall not take further action unless four fifths of the qualified members of said governing body assent thereto.

Acts 1933, Ex. Sess., c. 26, § 4; Acts 1967, c. 105; Acts 1969, c. 86; Acts 1971, c. 103; Acts 1981, 1st Ex. Sess., c. 2; Acts 1990, c. 141.

Library References

Key Numbers
Municipal Corporations ⇐294(7).
Westlaw Key Number Search: 268k294(7).

Encyclopedias
C.J.S. Municipal Corporations § 981.

§ 8–19–6. Amount, negotiability and execution of bonds

Bonds herein provided for shall be issued in such amounts as may be necessary to provide sufficient funds to pay all costs of acquisition, construction, establishment, extension or equipment, including engineering, legal and other expenses, together with interest to a date six months subsequent to the estimated date of completion. Bonds issued under the provisions of this article are hereby declared to be negotiable instruments, and the same shall be executed by the proper legally constituted authorities of the municipality or county commission, and be sealed with the corporate seal of the municipality or certified by the county commission, and in case any of the officers whose signatures appear on the bonds or coupons shall cease to be such officers before delivery of such bonds, such signatures shall nevertheless be valid and sufficient for all purposes the same as if they had remained in office until such delivery. All signatures on the bonds or coupons and the corporate seal may be mechanically reproduced if authorized in the ordinance or order authorizing the issuance of the bonds.

Acts 1933, Ex. Sess., c. 26, § 5; Acts 1933, 2nd Ex. Sess., c. 49, § 5; Acts 1969, c. 86; Acts 1970, c. 7; Acts 1980, c. 33; Acts 1981, 1st Ex. Sess., c. 2; Acts 1984, c. 128; Acts 1990, c. 141.

Library References

Key Numbers
Municipal Corporations ⇐927.
Westlaw Key Number Search: 268k927.

Encyclopedias
C.J.S. Municipal Corporations § 1699.

§ 8–19–7. Bonds payable solely from revenues; not to constitute municipal or county indebtedness

Bonds issued under the provisions of this article shall be payable solely from the revenues derived from such waterworks or electric power system, and such bonds shall not in any event constitute an indebtedness of such municipality or county within the meaning of any constitutional or statutory provision or limitation, and it shall be plainly stated on the face of each bond that the same has been issued under the provisions of this article, and that it does not constitute an indebtedness of such municipality or county within constitutional or statutory provision or limitation. Subject to the provisions of subsection (b), section twelve of this article, the ordinance or order authorizing the issuance of the bonds may contain such covenants and restrictions upon the issuance of additional revenue bonds thereafter as may be considered necessary or advisable for the assurance of payment of the bonds thereby authorized and as may thereafter be issued.

Acts 1933, Ex. Sess., c. 26, § 6; Acts 1933, 2nd Ex. Sess., c. 49; Acts 1969, c. 86; Acts 1978, c. 72; Acts 1990, c. 141.

Library References

Key Numbers
Municipal Corporations ⇐950(15).
Westlaw Key Number Search: 268k950(15).

Encyclopedias
C.J.S. Municipal Corporations §§ 1708 to 1709.

§ 8-19-8. Lien of bondholders; deeds of trust; security agreements; priority of liens

Unless the governing body shall otherwise determine in the ordinance or order authorizing the issuance of bonds under this article, there shall be and there is hereby created and granted a statutory mortgage lien upon the waterworks or electric power system so acquired, constructed, established, equipped, extended or improved from the proceeds of bonds hereby authorized to be issued, which shall exist in favor of the holder of said bonds and each of them, and to and in favor of the holder of the coupons attached to said bonds, and such waterworks or electric power system shall remain subject to such statutory mortgage lien until payment in full of the principal of and interest upon said bonds.

Any municipality or county commission in acquiring an existing waterworks system or in improving an existing waterworks or electric power system may provide that financing therefor may be made by issuing revenue bonds and delivering the same at such prices as may be agreed upon within the limitations prescribed in section six of this article. Any revenue bonds so issued to provide financing for such existing waterworks or electric power system or for any improvements to an existing waterworks or electric power system may be secured by a mortgage or deed of trust upon and security interest in the property so acquired or improved or any other interest of the municipality or county commission in property related thereto as determined by the municipality or county commission in the ordinance or order authorizing the issuance of such revenue bonds; and in such event the holders thereof shall have, in addition to any other remedies and rights prescribed by this article, such remedies and rights as may now or hereafter exist in law in the case of mortgages or deeds of trust on real property and security interests in personal property. Such mortgage or deed of trust, upon its recordation, shall have priority over all other liens or encumbrances, however created or arising, on the property covered by such mortgage or deed of trust, to the same extent and for the same amount as if the municipality or county were obligated to pay the full amount secured by such mortgage or deed of trust immediately upon the recordation of such mortgage or deed of trust and remained so obligated until the obligations secured are fully discharged.

Acts 1933, Ex. Sess., c. 26, § 7; Acts 1933, 2nd Ex. Sess., c. 49; Acts 1969, c. 86; Acts 1978, c. 72; Acts 1986, 1st Ex. Sess., c. 18; Acts 1990, c. 141.

Library References

Key Numbers
Municipal Corporations ⇐950(15).
Westlaw Key Number Search: 268k950(15).

Encyclopedias
C.J.S. Municipal Corporations §§ 1708 to 1709.

§ 8–19–9. Covenants with bondholders

Any ordinance or order authorizing the issuance of bonds hereunder, or any trust indenture with any banking institution or trust company within or without the state for the security of said bonds, which any such municipality or county commission is hereby empowered and authorized to enter into and execute, may contain covenants with the holders of such bonds as to:

(a) The purpose or purposes to which the proceeds of sale of such bonds or the revenues derived from said waterworks or electric power system may be applied and the securing, use and disposition thereof, including, if deemed desirable, the appointment of a trustee or depository for any of such funds;

(b) The pledging of all or any part of the revenues derived from the ownership, control or operation of such waterworks or electric power system, including any part thereof heretofore or hereafter acquired, constructed, established, extended or equipped or derived from any other sources, to the payment of the principal of or interest thereon of bonds issued hereunder and for such reserve or other funds as may be considered necessary or desirable;

(c) The fixing, establishing and collecting of such rates or charges for the use of the services and facilities of the waterworks or electric power system, including the parts thereof heretofore or hereafter acquired, constructed, established, extended or equipped and the revision of same from time to time, as will always provide revenues at least sufficient to provide for all expenses of repair, maintenance and operation of such waterworks or electric power system, the payment of the principal of and interest upon all bonds or other obligations payable from the revenues of such waterworks or electric power system, and all reserve and other funds required by the terms of the ordinance or order authorizing the issuance of such bonds;

(d) The transfer from the general funds of the municipality or county commission to the account or accounts of the waterworks or electric power system of an amount equal to the cost of furnishing the municipality or county commission or any of its departments, boards or agencies or the county commission with the services and facilities of such waterworks or electric power system;

(e) Subject to the provisions of subsection (b), section twelve of this article, limitations or restrictions upon the issuance of additional bonds or other obligations payable from the revenues of such waterworks or electric power system, and the rank or priority, as to lien and source and security for payment from the revenues of such waterworks or electric power system, between bonds payable from such revenues;

(f) The manner and terms upon which all bonds and other obligations issued hereunder may be declared immediately due and payable upon the happening of a default in the payment of the principal of or interest thereon, or in the performance of any covenant or agreement with bondholders, and the manner and terms upon which such defaults may be declared cured and the acceleration of the maturity of such bonds rescinded and repealed;

(g) Budgets for the annual repair, maintenance and operation of such waterworks or electric power system and restrictions and limitations upon expenditures for such purposes, and the manner of adoption, modification, repeal or amendment thereof, including the approval of such budgets by consulting engineers designated by holders of bonds issued hereunder;

(h) The amounts of insurance to be maintained upon such waterworks or electric power system, or any part thereof, and the use and disposition of the proceeds of any insurance; and

(i) The keeping of books of account, relating to such undertakings and the audit and inspection thereof, and the furnishing to the holders of bonds issued hereunder or their representatives, reports prepared, certified or approved by accountants designated or approved by the holders of bonds issued hereunder.

Any such ordinance, order or trust indenture may also contain such other additional covenants as shall be considered necessary or desirable for the security of the holders of bonds issued hereunder, notwithstanding that such other covenants are not expressly enumerated above, it being the intention hereof to grant to municipalities or county commissions plenary power and authority to make any and all covenants or agreements necessary in order to secure greater marketability for bonds issued hereunder as fully and to the same extent as such covenants or agreements could be made by a private corporation rendering similar services and facilities and to grant to municipalities and counties full and complete power and authority to enter into any contracts, covenants or agreements with holders of bonds issued hereunder not inconsistent with the constitution of this state.

Acts 1955, c. 133; Acts 1969, c. 86; Acts 1978, c. 72; Acts 1990, c. 141.

Library References

Key Numbers
Municipal Corporations ⇐919.
Westlaw Key Number Search: 268k919.

Encyclopedias
C.J.S. Municipal Corporations § 1661.

§ 8-19-10. Operating contract

Any such municipality or county commission may enter into contracts or agreements with any persons for (1) the repair, maintenance and operation and management of the facilities and properties of said waterworks or electric power system, or any part thereof, or (2) the collection and disbursement of the income and revenues therefor, or for both (1) and (2), for such period of time and under such terms and conditions as shall be agreed upon between such municipality or county commission and such persons. Any such municipality or county commission shall have plenary power and authority to provide in the ordinance or order authorizing the issuance of bonds hereunder, or in any trust indenture securing such bonds, that such contracts or agreements shall be valid and binding upon the municipality and county commission as long as any of said bonds, or interest thereon, is outstanding and unpaid.

Acts 1955, c. 133; Acts 1969, c. 86; Acts 1978, c. 72; Acts 1990, c. 141.

Library References

Key Numbers
Municipal Corporations ⇐232.
Westlaw Key Number Search: 268k232.

Encyclopedias
C.J.S. Municipal Corporations § 905.

§ 8–19–11. Rates or charges for water and electric power must be sufficient to pay bonds, etc.; disposition of surplus

Rates or charges for water or electric power fixed precedent to the issuance of bonds shall not be reduced until all of said bonds shall have been fully paid; and may, whenever necessary, be increased in amounts sufficient to provide for the payment of the principal of and interest upon such bonds, and to provide proper funds for the depreciation account and repair, maintenance and operation charges. If any surplus shall be accumulated in the repair, maintenance and operation fund which shall be in excess of the cost of repairing, maintaining and operating the waterworks or electric power system during the remainder of the fiscal year then current, and the cost of repairing, maintaining and operating the said waterworks or electric power system during the fiscal year then next ensuing, then any such excess may be transferred to either the depreciation account or to the bond and interest redemption account, and if any surplus shall be accumulated in the depreciation account over and above that which the municipality or county commission shall find may be necessary for the probable replacements which may be needed during the then present fiscal year, and the next ensuing fiscal year, such excess may be transferred to the bond and interest redemption account, and, if any surplus shall exist in the bond and interest redemption account, the same shall be applied insofar as possible in the purchase or retirement of outstanding revenue bonds payable from such account.

Acts 1933, Ex. Sess., c. 26, § 8; Acts 1969, c. 86; Acts 1978, c. 72; Acts 1990, c. 141.

Library References

Key Numbers
Municipal Corporations ⇐950(15).
Westlaw Key Number Search: 268k950(15).

Encyclopedias
C.J.S. Municipal Corporations §§ 1708 to 1709.

§ 8–19–12. Service charges; sinking fund; amount of bonds; additional bonds; surplus

(a) Every municipality or county commission issuing bonds under the provisions of this article shall thereafter, so long as any of such bonds remain outstanding, repair, maintain and operate its waterworks or electric power system as hereinafter provided and shall charge, collect and account for revenues therefrom as will be sufficient to pay all repair, maintenance and operation costs, provide a depreciation fund, retire the bonds and pay the interest requirements of the bonds as the same become due. The ordinance or order pursuant to which any such bonds are issued shall pledge the revenues derived from the waterworks or electric power system to the purposes aforesaid and shall definitely fix and determine the amount of revenues which shall be necessary and set apart in a special fund for the bond requirements. The

amounts as and when so set apart into said special fund for the bond requirements shall be remitted to the West Virginia municipal bond commission to be retained and paid out by said commission consistent with the provisions of this article and the ordinance or order pursuant to which such bonds have been issued: Provided, That payment of principal of and interest on any bonds owned by the United States of America or any agency or department thereof may be made by the municipality or county commission directly to the United States of America or said agency or department thereof. The bonds hereby authorized shall be issued in such amounts as may be determined necessary to provide funds for the purpose for which they are authorized, and in determining the amount of bonds to be issued it shall be proper to include interest on the bonds for a period not beyond six months from the estimated date of completion.

(b) If the proceeds of the bonds, because of error or otherwise, shall be less than the cost of the property or undertaking for which authorized, additional bonds may be issued to provide the amount of such deficit and such additional bonds shall be considered to be of the same issue and shall be entitled to payment from the same fund without preference or priority over the bonds first authorized and issued.

(c) If the proceeds of the bonds shall exceed the cost of the property or undertaking, the surplus shall be converted into the fund thereon.

Acts 1933, Ex. Sess., c. 26, § 11; Acts 1969, c. 86; Acts 1978, c. 72; Acts 1986, c. 118; Acts 1990, c. 141.

Library References

Key Numbers
Municipal Corporations ⇐951.
Westlaw Key Number Search: 268k951.

Encyclopedias
C.J.S. Municipal Corporations §§ 1704 to 1705.

§ 8–19–12a. Lien for delinquent service rates and charges; failure to cure delinquency; civil actions; deferral of filing fees and costs in magistrate court action; limitations with respect to foreclosure

(a) Whenever any rates and charges for water services or facilities furnished remain unpaid for a period of thirty days after the same become due and payable, the property and the owner thereof, as well as the user of the services and facilities provided, shall be delinquent and the owner, user and property shall be held liable at law until such time as all such rates and charges are fully paid.

(b) All rates or charges for water service whenever delinquent, as provided by ordinance of the municipality, shall be liens of equal dignity, rank and priority with the lien on such premises of state, county, school and municipal taxes for the amount thereof upon the real property served, and the municipality shall have plenary power and authority from time to time to enforce such lien in a civil action to recover the money due for such services rendered plus court fees and costs and a reasonable attorney's fee: Provided, That an owner

of real property may not be held liable for the delinquent rates or charges for services or facilities of a tenant, nor shall any lien attach to real property for the reason of delinquent rates or charges for services or facilities of a tenant of such real property, unless the owner has contracted directly with the municipality to purchase such services or facilities.

(c) Municipalities are hereby granted a deferral of filing fees or other fees and costs incidental to the bringing and maintenance of an action in magistrate court for the collection of the delinquent rates and charges. If the municipality collects the delinquent account, plus fees and costs, from its customer or other responsible party, the municipality shall pay to the magistrate court the filing fees or other fees and costs which were previously deferred.

(d) No municipality may foreclose upon the premises served by it for delinquent rates or charges for which a lien is authorized by this section except through the bringing and maintenance of a civil action for such purpose brought in the circuit court of the county wherein the municipality lies. In every such action, the court shall be required to make a finding based upon the evidence and facts presented that the municipality had exhausted all other remedies for the collection of debts with respect to such delinquencies prior to the bringing of such action. In no event shall foreclosure procedures be instituted by any municipality or on its behalf unless such delinquency had been in existence or continued for a period of two years from the date of the first such delinquency for which foreclosure is being sought.

Acts 1989, c. 133; Acts 1990, c. 140; Acts 1990, c. 141.

Library References

Key Numbers
Waters and Water Courses ⇐203(14).
Westlaw Key Number Search: 405k203(14).

Encyclopedias
C.J.S. Waters § 308.

§ 8–19–13. Discontinuance of water or electric power service for nonpayment of rates or charges

Any such municipality or county commission shall also have plenary power and authority, and may covenant with the holders of any bonds issued hereunder, to shut off and discontinue the supplying of the water or electric power service of said waterworks or electric power system for the nonpayment of the rates or charges for said water or electric power service.

Acts 1955, c. 133; Acts 1969, c. 86; Acts 1978, c. 72; Acts 1990, c. 141.

Library References

Key Numbers
Electricity ⇐11.2(3).
Waters and Water Courses ⇐203(13).
Westlaw Key Number Searches: 145k11.2(3); 405k203(13).

Encyclopedias
C.J.S. Electricity § 29.
C.J.S. Waters § 305.

§ 8–19–14. Bonds for additions, betterments and improvements

Whenever any municipality or county commission shall now or hereafter own and operate a waterworks or electric power system, whether acquired, con-

structed, established, extended or equipped under the provisions of this article or not, and shall desire to construct additions, betterments or improvements thereto, it may issue revenue bonds under the provisions of this article to pay for the same, and the procedure therefor, including the fixing of rates or charges and the computation of the amount thereof, and the power and authority in connection therewith, shall be the same as in this article provided for the issuance of bonds for the acquisition, construction, establishment, extension or equipment of a waterworks system or electric power system in a municipality or county which has not heretofore owned and operated a waterworks or electric power system: Provided, That nothing in this article shall be construed as authorizing any municipality or county commission to impair or commit a breach of the obligation of any valid lien or contract created or entered into by it, the intention being to authorize the pledging, setting aside and segregation of such revenues for the construction of such additions, betterments or improvements only where and to the extent consistent with outstanding obligations of such municipality or county commission, and in accordance with the provisions of this article.

Acts 1933, Ex. Sess., c. 26, § 10; Acts 1933, 2nd Ex. Sess., c. 49; Acts 1969, c. 86; Acts 1978, c. 72; Acts 1990, c. 141.

Library References

Key Numbers
Municipal Corporations ⇐911.
Westlaw Key Number Search: 268k911.

Encyclopedias
C.J.S. Municipal Corporations § 1649.

§ 8-19-15. System of accounts; audit

Any municipality or county commission operating a waterworks or electric power system under the provisions of this article shall set up and maintain a proper system of accounts in accordance with the requirements of the public service commission, showing the amount of revenues received from such waterworks or electric power system and the application of the same. At least once each year such municipality or county commission shall cause such accounts to be properly audited, and a report of such audit shall be open to the public for inspection at all reasonable times.

Acts 1939, c. 98, § 10; Acts 1969, c. 86; Acts 1978, c. 72; Acts 1990, c. 141.

Library References

Key Numbers
Municipal Corporations ⇐885.
Westlaw Key Number Search: 268k885.

Encyclopedias
C.J.S. Municipal Corporations § 1629.

§ 8-19-16. Protection and enforcement of rights of bondholders, etc.; receivership

Any holder of any bonds issued under the provisions of this article or of any coupons representing interest accrued thereon may by civil action, mandamus or other proper proceeding enforce the statutory mortgage lien created and granted in section eight of this article, protect and enforce any and all rights

granted hereunder or under any such ordinance, order or trust indenture, and may enforce and compel performance of all duties required by the provisions of this article or by any such ordinance, order or trust indenture to be performed by the municipality or county commission, or by the governing body or any officer, including the making and collecting of reasonable and sufficient rates or charges for services rendered by the waterworks or electric power system. If there be default in the payment of the principal of or interest upon any of such bonds, or of both principal and interest, any court having jurisdiction shall appoint a receiver to administer said waterworks or electric power system on behalf of the municipality or county commission, and the bondholders or trustee, or both, with power to charge and collect rates or charges sufficient to provide for the retirement of the bonds and pay the interest thereon, and for the payment of the repair, maintenance and operation expenses, and such receiver shall apply the revenues in conformity with the provisions of this article and the ordinance or order pursuant to which such bonds have been issued or any trust indenture, or both.

Acts 1933, Ex. Sess., c. 26, § 12; Acts 1969, c. 86; Acts 1978, c. 72; Acts 1990, c. 141.

Library References

Key Numbers

Municipal Corporations ⇐955(1).
Westlaw Key Number Search: 268k955(1).

PART V—GRANTS, LOANS, ADVANCES AND AGREEMENTS; CUMULATIVE AUTHORITY

§ 8–19–17. Grants, loans, advances and agreements

As an alternative to, or in conjunction with, the issuance of revenue bonds authorized by this article, any municipality or county commission is hereby empowered and authorized to accept loans or grants and procure loans or temporary advances evidenced by notes or other negotiable instruments issued in the manner, and subject to the privileges and limitations, set forth with respect to bonds authorized to be issued under the provisions of this article, or otherwise enter into agreement, including, but not limited to, agreements of indemnity, assurance or guarantee with respect to, and for the purpose of financing part or all of, the cost of acquisition, construction, establishment, extension or equipment of waterworks or electric power systems and the construction of additions, betterments and improvements to existing waterworks systems or to existing electric power systems, and for the other purposes herein authorized, from or with any authorized agency of the state or from the United States of America or any federal or public agency or department of the United States or any private agency, corporation or individual, which loans or temporary advances, including the interest thereon, or the municipality's or county's financial obligations contained in such other agreements, which need not bear interest, may be repaid out of the proceeds of bonds authorized to be issued under the provisions of this article, the revenues of or proceeds from the said waterworks system or electric power system or grants to the municipality

or county commission from any agency of the state or from the United States of America or any federal or public agency or department of the United States or any private agency, corporation or individual or from any combination of such sources of payment, and may be secured in the manner provided in sections eight, nine and sixteen of this article to secure bonds issued under the provisions of this article, but shall not otherwise be subject to the requirements of sections eleven and twelve of this article, and to enter into the necessary contracts and agreements to carry out the purposes hereof with any agency of the state, the United States of America or any federal or public agency or department of the United States, or with any private agency, corporation or individual.

In no event shall any such loan or temporary advance or agreement be a general obligation of the municipality or county and such loans or temporary advances or agreements, including the interest thereon, shall be paid solely from the sources specified in this section.

Acts 1961, c. 105; Acts 1969, c. 86; Acts 1978, c. 72; Acts 1981, 1st Ex. Sess., c. 2; Acts 1986, c. 118; Acts 1986, 1st Ex. Sess., c. 18; Acts 1990, c. 141.

Library References

Key Numbers
Municipal Corporations ⇐908.
Westlaw Key Number Search: 268k908.

Encyclopedias
C.J.S. Municipal Corporations §§ 1646, 1652.

§ 8-19-18. Additional and alternative method for constructing or improving and for financing waterworks or electric power system; cumulative authority

This article shall, without reference to any other statute or charter provision, be deemed full authority for the acquisition, construction, establishment, extension, equipment, additions, betterment, improvement, repair, maintenance and operation of or to a waterworks or electric power system or for the construction of any additions, betterments, improvements, repairs, maintenance or operation of or to an existing electric power system as herein provided and for the issuance and sale of the bonds or the alternative methods of financing by this article authorized, and shall be construed as an additional and alternative method therefor and for the financing thereof, and no petition, referendum or election or other or further proceeding with respect to any such undertaking or to the issuance or sale of bonds or the alternative methods of financing under the provisions of this article and no publication of any resolution, ordinance, order, notice or proceeding relating to any such undertaking or to the issuance or sale of such bonds or the alternative methods of financing shall be required, except as prescribed by this article, any provisions of other statutes of the state to the contrary notwithstanding: Provided, That all functions, powers and duties of the state division of health shall remain unaffected by this article.

This article shall be construed as cumulative authority for any undertaking herein authorized, and shall not be construed to repeal any existing laws with respect thereto.

Acts 1933, Ex. Sess., c. 26, § 13; Acts 1969, c. 86; Acts 1978, c. 72; Acts 1986, 1st Ex. Sess., c. 18; Acts 1990, c. 141.

Library References

Key Numbers
Municipal Corporations ⇐271, 272.

Westlaw Key Number Searches: 268k271; 268k272.

PART VI—OPERATION BY BOARD; CONSTRUCTION

§ 8–19–19. Alternative procedure for acquisition, construction or improvement of waterworks or electric power system

As an alternative to the procedures hereinabove provided, any municipality or county commission is hereby empowered and authorized to acquire, construct, establish, extend, equip, repair, maintain and operate a waterworks or an electric power system or to construct, maintain and operate additions, betterments and improvements to an existing waterworks system or an existing electric power system, whether acquired, constructed, established, extended or equipped under the provisions of this article or not, and to collect the revenues therefrom for the services rendered thereby, through the supervision and control of a committee, by whatever name called, composed of all or a portion of the governing body, or of a board or commission appointed by such governing body, as may be provided by the governing body, and if such alternative is followed, said committee, board or commission shall have and be limited to all the powers, authority and duties granted to and imposed upon a board as provided in article sixteen of this chapter.

Acts 1961, c. 104; Acts 1969, c. 86; Acts 1978, c. 72; Acts 1990, c. 141.

Library References

Key Numbers
Electricity ⇐1.5.
Waters and Water Courses ⇐183.
Westlaw Key Number Searches: 145k1.5; 405k183.

Encyclopedias
C.J.S. Electricity § 6.
C.J.S. Waters §§ 228, 235.

§ 8–19–20. Article to be liberally construed

This article is necessary for the public health, safety and welfare and shall be liberally construed to effectuate its purposes.

Acts 1933, Ex. Sess., c. 26, § 14; Acts 1969, c. 86; Acts 1990, c. 141.

§ 8–19–21. Specifications for water mains and water service pipes

Considering the importance of public fire protection, any state or local government, public service district, public or private utility which installs, constructs, maintains, or upgrades water mains, shall ensure that all new mains specifically intended to provide fire protection are supplied by mains which are not less than six inches in diameter. A permit or other written approval shall be obtained from the Department of Health and Human Resources for each hydrant or group of hydrants installed in compliance with section nine, article one, chapter sixteen of the West Virginia Code as amended: Provided, That all newly constructed water distribution systems transferred to a public or private

utility shall have mains at least six inches in diameter where fire flows are desired or required by the public or private utility: Provided, however, That the utility providing service has sufficient hydraulic capacity as determined by the Department of Health and Human Resources.

Acts 1994, c. 31.

Library References

Key Numbers
Waters and Water Courses ⇐202.
Westlaw Key Number Search: 405k202.

Encyclopedias
C.J.S. Waters § 280.

PART XII—CONNECTION TO SEWERS; BOARD OF HEALTH; ENFORCEMENT OF DUTY TO PAY FOR SERVICE

–22. Connection to sewers; board of health; penalty

rdless of whether a lot or parcel is within any municipality's geographical limits, ; or owners of any lot or parcel of land abutting on any street, alley, public way nt on which a municipal sewer is now located or may hereafter be constructed and l r constructed and laid under the provisions of this article or any other provisions on which lot or parcel of land any business or residence building is now located or m r be erected, not connected with a public sewer, may be required and compelled nicipality or by the board of health to connect any such building with such sew o to connect shall be given by the municipality or by the board of health to the own he lessee or occupant of such building. The owner or owners shall connect to t l sewer within thirty days after notice to connect has been sent by the municipalit ess of whether the owner or owners connect to such sewer, the municipality may b r or owners of the lot or parcel and the owner or owners shall pay the municipality ased on the actual water consumption on the lot or parcel. If the lot or parcel is n the municipality's charge shall be based on the municipality's good faith estimate mption on the lot or parcel.

, c. 8, § 3; Acts 1969, c. 86; Acts 1989, c. 133; Acts 1999, c. 202, eff. 90 days after March 1 s 2004, c. 185, eff. 90 days after March 12, 2004.

Code 1923, c. 47, § 49c(3).

Notes of Decisions

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of property that was located outside of porate limits but that was mandated by connected to town's new sewer system stitutional due process right to personal opportunity to be heard before town construction of the new sewer system. wn of Masontown, 2005, 617 S.E.2d 831, 284. Constitutional Law ⇐ 4372; Mu-porations ⇐ 712(4)

Mandatory connection to town's sewer syste and forced abandonment of septic systems on own ers' properties, which were located outside town corporate limits, did not amount to a taking property for constitutional purposes; state's polic power included right to regulate sewer systems state could delegate power to subordinate publi entities, and owners held their property subject t proper exercise of police power for common good Buda v. Town of Masontown, 2005, 617 S.E.2d 831 217 W.Va. 284. Eminent Domain ⇐ 2.18

ARTICLE 19

MUNICIPAL AND COUNTY WATERWORKS AND ELECTRIC POWER SYSTEMS

–Limitations on Sale or Lease of tain Municipal Waterworks.

Contracts for purchase of electric power or energy by a municipality; definitions; requirements; payments; rates and charges.

IV—Revenue Bond Financing.

Deposit required for new customers; lien for delinquent service rates and charges; failure to cure delinquency; payment from deposit; reconnecting deposit; return of deposit; liens; civil actions; deferral of filing fees and costs in magistrate court action; limitations with respect to foreclosure.

Part VI—Operation by Board; Construction.

8–19–21. Specifications for water mains and water service pipes.

8–19–22. Identification requirement for fire hydrants that are inoperable or unavailable for use in emergency situations.

PART II—LIMITATIONS ON SALE OR LEASE OF CERTAIN MUNICIPAL WATERWORKS

§ 8–19–2. Contracts for purchase of electric power or energy by a municipality; definitions; requirements; payments; rates and charges

(a) For the purposes of this section:

(1) "Contract" means an agreement entered into by a municipality with any other party for the purchase of electric output, capacity or energy from a project as defined herein.

(2) "Any other party" means any other legal entity, including, but not limited to, another municipality, political subdivision, public authority, agency or instrumentality of any state or the United States, a partnership, a limited partnership, a limited liability company, a corporation, an electric cooperative or an investor-owned utility existing under the laws of any state; and

(3) "Project" or "projects" means systems or facilities owned by another party and used for the generation, transmission, transformation or supply of electric power, or any interest in them, whether an undivided interest as a tenant in common or otherwise, or any right to the output, capacity or services thereof.

(b) In addition to the general authority to purchase electricity on a wholesale basis for resale to its customers, any municipality that owns and operates an electric power system under the provisions of this article may enter into a contract with any other party for the purchase of electricity from one or more projects located in the United States that provide that the contracting municipality is obligated to make payments required by the contract whether or not a project is completed, operable or operating and notwithstanding the suspension, interruption, interference, reduction or curtailment of the output of a project or the power and energy contracted for and that the payments shall not be subject to any reduction, whether by offset or otherwise, and shall not be conditioned upon performance or nonperformance by any other party. The contract may provide that, in the event of a default by the municipality or any other party to the contract in the performance of each entities' obligations under the contract, any nondefaulting municipality or any other party to the contract shall on a pro rata basis succeed to the rights and interests of, and assume the obligations of, the defaulting party.

(c) Notwithstanding any other provisions of law, ordinance or charter provision to the contrary, a contract under subsection (b) of this section may extend for more than fifty years or fifty years from the date a project is estimated to be placed into normal continuous operation and the execution and effectiveness of the contract is not subject to any authorizations or approvals by the state or any agency, commission, instrumentality or political subdivision thereof except as otherwise specifically required by law.

(d) A contract under subsection (b) of this section may provide that payments by the municipality are made solely from and may be secured by a pledge of and lien upon revenues derived by the municipality from ownership and operation and that payments shall constitute an operating expense of the electric power system. No obligation under the contract shall constitute a legal or equitable pledge, charge, lien or encumbrance upon any property of the municipality or upon any of its income, receipts or revenues, except the revenues of the municipality's electric power system. Neither the faith and credit nor the taxing power of the municipality shall be pledged for the payment of any obligation under the contract.

(e) A municipality contracting under the provisions of subsection (b) of this section is obligated to fix, charge and collect rents, rates, fees and charges for electric power and energy and other services it sells, furnishes or supplies through its electric power system in an amount sufficient to provide revenues adequate to meet its obligations under the contract and to pay any and all other amounts payable from or constituting a charge and lien upon the revenues, including the amounts necessary to pay the principal and interest on any municipal bonds issued related to its electric power system: *Provided,* That any change in the rates and charges of the municipality to the customers of the electric power system under the provisions of this section are subject to the provisions and requirements of section four-b,

o, chapter twenty-four of this code and the obligations of the municipality under t
ire costs of providing electric service within the meaning of that section.

c. 186, eff. June 6, 2007.

PART IV—REVENUE BOND FINANCING

12a. Deposit required for new customers; lien for delinquent servi rates and charges; failure to cure delinquency; payment fro deposit; reconnecting deposit; return of deposit; liens; civ actions; deferral of filing fees and costs in magistrate cou action; limitations with respect to foreclosure

Whenever any rates and charges for water services or facilities furnished rema
· a period of twenty days after the same become due and payable, the property ar
r thereof, as well as the user of the services and facilities provided, shall l
t and the owner, user and property shall be held liable at law until such time as :
s and charges are fully paid. When a payment has become delinquent, tl
ity may utilize any funds held as a security deposit to satisfy the delinquer
All new applicants for service shall indicate to the municipality or governing boc
ney are an owner or tenant with respect to the service location.

municipality or governing body, but only one of them, may collect from all ne
for service a deposit of fifty dollars or two twelfths of the average annual usage
ant's specific customer class, whichever is greater, to secure the payment of wat
tes, fees and charges in the event they become delinquent as provided in th
n any case where a deposit is forfeited to pay service rates, fees and charges whic
iquent and the user's service is disconnected or terminated, no reconnection
ient of service may be made by the municipality or governing body until anothe
ual to fifty dollars or a sum equal to two twelfths of the average usage for th
specific customer class, whichever is greater, is remitted to the municipality
body. After twelve months of prompt payment history, the municipality
body shall return the deposit to the customer or credit the customer's account wit
a rate as the public service commission may prescribe: *Provided*, That where th
s a tenant, the municipality or governing body is not required to return the depos
time the tenant discontinues service with the municipality or governing bod
any rates, fees, rentals or charges for services or facilities furnished remain unpai
d of twenty days after the same become due and payable, the user of the service
ies provided is delinquent and the user is liable at law until all rates, fees an
e fully paid. The municipality or governing body may, under reasonable rule
ed by the public service commission, shut off and discontinue water services to
user of water facilities ten days after the water services become delinquen
of whether the municipality or governing body utilizes the security deposit t
delinquent payments.

rates or charges for water service whenever delinquent shall be liens of equa
ink and priority with the lien on such premises of state, county, school an
taxes for the amount thereof upon the real property served, and the municipalit
plenary power and authority from time to time to enforce such lien in a civil actio
the money due for such services rendered plus court fees and costs and
attorney's fee: *Provided*, That an owner of real property may not be held liabl
inquent rates or charges for services or facilities of a tenant, nor shall any lie
eal property for the reason of delinquent rates or charges for services or facilitie
it of such real property, unless the owner has contracted directly with th
y to purchase such services or facilities.

cipalities are hereby granted a deferral of filing fees or other fees and cost
o the bringing and maintenance of an action in magistrate court for the collectio
iquent rates and charges. If the municipality collects the delinquent account, plu
sts, from its customer or other responsible party, the municipality shall pay to th
court the filing fees or other fees and costs which were previously deferred

(d) No municipality may foreclose upon the premises served by it for delinquent rates or charges for which a lien is authorized by this section except through the bringing and maintenance of a civil action for such purpose brought in the circuit court of the county wherein the municipality lies. In every such action, the court shall be required to make a finding based upon the evidence and facts presented that the municipality had exhausted all other remedies for the collection of debts with respect to such delinquencies prior to the bringing of such action. In no event shall foreclosure procedures be instituted by any municipality or on its behalf unless such delinquency had been in existence or continued for a period of two years from the date of the first such delinquency for which foreclosure is being sought.

Acts 1989, c. 133; Acts 1990, c. 140; Acts 1990, c. 141; Acts 2004, c. 185, eff. 90 days after March 12, 2004.

Part VI—Operation by Board; Construction

§ 8–19–21. Specifications for water mains and water service pipes

Considering the importance of public fire protection, any state or local government, public service district, public or private utility which installs or constructs water mains, shall ensure that all new mains specifically intended to provide fire protection are not less than six inches in diameter. Effective the first day of July, two thousand seven, when any state or local government, public service district, public or private utility installs or constructs water mains along a platted roadway or a public highway, using a six inch or greater line, that is specifically designed to provide fire protection, the state or local government, public service district, public or private utility shall install fire hydrants at intervals of not more than two thousand feet, unless there are no dwellings or businesses located one thousand feet from such proposed hydrant: *Provided*, That the Legislature shall study the effect, cost and feasibility of the internal hydrant valve and report the findings of that study to the regular session of the Legislature in the year two thousand and eight. A permit or other written approval shall be obtained from the Department of Health and Human Resources for each hydrant or group of hydrants installed in compliance with section nine, article one, chapter sixteen of the West Virginia Code as amended: *Provided, however*, That all newly constructed water distribution systems transferred to a public or private utility shall have mains at least six inches in diameter where fire flows are required by the public or private utility: *Provided further*, That the utility providing service has sufficient hydraulic capacity as determined by the Department of Health and Human Resources.

Acts 1994, c. 31; Acts 2007, c. 187, eff. June 16, 2007.

§ 8–19–22. Identification requirement for fire hydrants that are inoperable or unavailable for use in emergency situations

(a) The owner or operator of a fire hydrant or any device having the appearance of a fire hydrant that is located in a place that an entity responsible for providing fire suppression services in a fire emergency would expect a fire hydrant to typically be located, shall mark the fire hydrant or device, as set out in subsection (b) of this section, if the owner or operator has actual knowledge that the fire hydrant or device is inoperable or is unavailable for use by an entity providing fire suppression services in a fire emergency.

(b) To mark the fire hydrant or device, the owner or operator of the fire hydrant or device shall:

(1) Paint the fire hydrant or device black if the fire hydrant or device is inoperable or unavailable for use; or

(2) Place a black tarp over the fire hydrant or device if the device is temporarily inoperable or temporarily unavailable for use in a fire emergency, for a period not to exceed fourteen days.

(c) For the purposes of this section, the word "inoperable" means a fire hydrant that does not produce water flow when activated.

Acts 2009, c. 163, eff. July 9, 2009.