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September 10, 2008

Town of War
Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

Thomas Hatcher, Mayor
Town of War
Rt. 16 Main Street
Post Office Box 24892
War, West Virginia 24892

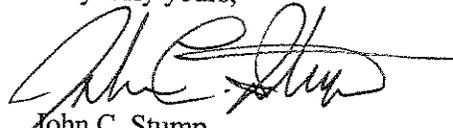
Dear Mayor Hatcher:

Enclosed is the transcript of closing documents for the above-referenced financing for the Town of War. For auditing purposes, the Town should keep the transcript on file until the Bonds mature. Upon receipt, should you have any questions, please call me.

It was a pleasure working with you and the Council. We look forward to working with you again.

My best regards.

Very truly yours,



John C. Stump

JCS/rmc
Enclosures
cc: Distribution List (attached)

939100.00002

4982178

**TOWN OF WAR
WATER REVENUE BONDS, SERIES 2008 A
(WEST VIRGINIA INFRASTRUCTURE FUND)**

TRANSCRIPT DISTRIBUTUION LIST

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TOWN OF WAR

**WATER REVENUE BONDS, SERIES 2008 A
(WEST VIRGINIA INFRASTRUCTURE FUND)**

DATE OF CLOSING: JUNE 26, 2008

BONDS TRANSCRIPT

STEPTOE & JOHNSON PLLC

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TOWN OF WAR

**Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)**

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7. Direction to Authenticate and Deliver Bonds
8. Specimen Bond

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9. Approving Opinion of Steptoe & Johnson PLLC, Bond Counsel
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TOWN OF WAR

**WATER REVENUE BONDS, SERIES 2008 A
(WEST VIRGINIA INFRASTRUCTURE FUND)**

CONFORMED BOND ORDINANCE

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TOWN OF WAR

ORDINANCE AUTHORIZING THE PERMANENT FINANCING OF THE ACQUISITION OF WAR WATER WORKS BY THE TOWN OF WAR AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE TOWN OF WAR OF NOT MORE THAN \$250,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT ORDAINED AND ENACTED BY THE COUNCIL OF THE TOWN OF WAR:

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 "Bond Legislation") is enacted pursuant to the provisions of Chapter 31, Article 15A and Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (collectively, the "Act"), and other applicable provisions of law.

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

A. The Town of War (the "Issuer") is a municipal corporation and political subdivision of the State of West Virginia in McDowell County of said State.

B. The Issuer presently owns and operates a public waterworks system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be permanent financing of the acquisition of the assets of War Water Works including

all water mains, the Yukon No. 1 and the City Realty System and all necessary appurtenances (collectively, the "Project"). The Project and any further additions, betterments and improvements thereto are herein called the "System". 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 Issuer intends to permanently finance the costs of the Project through the issuance of its revenue bonds to the West Virginia Water Development Authority (the "Authority"), which administers the West Virginia Infrastructure Fund (the "Infrastructure Fund") for the West Virginia Infrastructure and Jobs Development Council (the "Council").

D. It is deemed necessary for the Issuer to issue its Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), in the total aggregate principal amount of not more than \$250,000 (the "Series 2008 A Bonds"), initially to be represented by a single bond, to permanently finance a portion of the costs of the Project. The remaining costs of the Project shall be funded from the sources set forth in Section 2.01 hereof. Such costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 2008 A Bonds prior to and during the Project and for a period not exceeding 6 months after completion of the Project; amounts which may be deposited in the Series 2008 A Bonds Reserve Account (as hereinafter defined); engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority; discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2008 A Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2008 A Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

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

F. It is in the best interests of the Issuer that its Series 2008 A Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement (the "Loan Agreement") by and between the Issuer and the Authority, on behalf of the Council, in form satisfactory to the Issuer, the Authority and the Council, to be approved hereby if not previously approved by resolution of the Issuer.

G. On the Closing Date, there will be no outstanding obligations of the Issuer which will rank on a parity with the Series 2008 A Bonds as to liens, pledge, source of and security for payment or are secured by revenues or assets of the System.

H. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all costs of operation and maintenance of the System, the principal of and interest, if any, on the Series 2008 A Bonds and to make payments into all funds and accounts and other payments provided for herein.

I. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the Project and operation of the Project and the System and issuance of the Series 2008 A Bonds, or will have so complied prior to issuance of any thereof, including, among other things, the approval of the Project and the financing thereof by the West Virginia Infrastructure and Jobs Development Council and the obtaining approval of the Project from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Series 2008 A Bonds or such final order will not be subject to appeal.

J. The Project has been reviewed and determined to be technically and financially feasible by the West Virginia Infrastructure and Jobs Development Council as required under Chapter 31, Article 15A of the West Virginia Code of 1931, as amended.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2008 A Bonds by the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Bondholders of any and all of such Series 2008 A Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds and by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

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

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 2008 A Bonds, or any other agency, board or department of the State that succeeds to the functions of the Authority.

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

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

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

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

"Bonds" means the Series 2008 A Bonds and, where appropriate, any bonds on a parity therewith subsequently authorized to be issued hereunder or by another ordinance of the Issuer.

"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.

"Closing Date" means the date upon which there is an exchange of the Series 2008 A Bonds for all or a portion of the proceeds of the Series 2008 A Bonds from the Authority.

"Code" means the Internal Revenue Code of 1986, as amended, and the Regulations.

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

"Consulting Engineers" means any qualified engineer or firm of engineers, licensed by the State, that shall at any time hereafter be procured by the Issuer as Consulting Engineers for the System, or portion thereof, in accordance with Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended; provided however, that the Consulting Engineers shall not be a regular, full-time employee of the State or any of its agencies, commissions, or political subdivisions.

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

"Council" means the West Virginia Infrastructure and Jobs Development Council and any successor thereto.

"Depository Bank" means the bank designated as such in the Supplemental Resolution, 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, as it may now or hereafter be

constituted.

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

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

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

"Independent Certified Public Accountants" means 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 Town of War, a municipal corporation and political subdivision of the State of West Virginia, in McDowell County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Loan Agreement" means the loan agreement heretofore entered, or to be entered, into between the Issuer and the Authority, on behalf of the Council, providing for the purchase of the Series 2008 A Bonds from the Issuer by the Authority, the form of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified by the Supplemental Resolution.

"Mayor" means the Mayor of the Issuer.

"Net Proceeds" means the face amount of the Series 2008 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Series 2008 A Bonds Reserve Account.

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

"Operating Expenses" means the reasonable, proper and necessary costs of repair, operation and maintenance of the System, and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the Costs, fees and expenses of the Authority, fiscal agents, the Depository

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

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

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

"Paying Agent" means the Commission.

"Project" means the Project as described in Section 1.02B hereof.

"Qualified Investments" means and includes any of the following, unless otherwise set forth in the Supplemental Resolution:

- (a) Government Obligations;
- (b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;
- (c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;
- (d) Any bond, debenture, note, participation certificate or other similar obligations issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;

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

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

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

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

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

"Recorder" means the Recorder of the Issuer.

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

"Registrar" means the Bond Registrar.

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

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

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

"Series 2008 A Bonds" means the Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), of the Issuer, authorized by this Bond Legislation.

"Series 2008 A Bonds Project Fund" means the Series 2008 A Bonds Project Fund established by Section 5.01 hereof.

"Series 2008 A Bonds Reserve Account" means the Series 2008 A Bonds Reserve Account established in Section 5.02 hereof.

"Series 2008 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest, if any, which will become due on the Series 2008 A Bonds in the then current or any succeeding year.

"Series 2008 A Bonds Sinking Fund" means the Series 2008 A Bonds Sinking Fund established by Section 5.02 hereof.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution, ordinance or order of the Issuer supplementing or amending this Ordinance and, when preceded by the article "the," refers specifically to the supplemental resolution authorizing the sale of the Series 2008 A Bonds; provided, that any matter intended by this Ordinance to be included in the Supplemental Resolution with respect to the Series 2008 A Bonds, and not so included may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, including, without limitation, the Renewal and Replacement Fund, the Series 2008 A Bonds Sinking Fund and the Series 2008 A Bonds Reserve Account.

"System" means, collectively, the complete public waterworks system of the Issuer, as presently existing in its entirety or any integral part thereof, and shall include the Project and any additions, betterments and improvements thereto hereafter acquired or constructed for the System from any sources whatsoever.

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

"West Virginia Infrastructure Fund" means the West Virginia Infrastructure Fund established in accordance with Chapter 31, Article 15A, Section 9 of the West Virginia Code of 1931, as amended and in effect on the date of enactment hereof.

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

ARTICLE II

AUTHORIZATION OF THE PROJECT

Section 2.01. Authorization of the Project. There is hereby authorized and ordered the Project, at an estimated cost not to exceed \$315,300, in accordance with the application submitted to the Council, heretofore filed in the office of the Governing Body. The proceeds of the Series 2008 A Bonds shall be applied as provided in Article VI hereof.

The cost of the Project is estimated not to exceed \$315,300, of which approximately \$215,300 will be obtained from proceeds of the Series 2008 A Bonds and \$100,000 has been obtained from a West Virginia Economic Development Authority grant.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Series 2008 A Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued the negotiable Series 2008 A Bonds of the Issuer. The Series 2008 A Bonds shall be issued as a single bond, designated "Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund),@ in the principal amount of not more than \$250,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2008 A Bonds remaining after, funding of the Series 2008 A Bonds Reserve Account (if funded from Bond proceeds) and capitalization of interest, if any, shall be deposited in or credited to the Series 2008 A Bonds Project Fund established by Section 5.01 hereof.

Section 3.02. Terms of Bonds. The Series 2008 A Bonds shall be issued in such principal amounts; shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 2008 A Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 2008 A Bonds, if any, shall be paid by check or draft of the Paying Agent or its agent, mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 2008 A Bonds shall initially be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of the Series 2008 A Bonds. The Series 2008 A Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution. Such Bonds shall be dated and shall bear interest, if any, as specified in a Supplemental Resolution.

Section 3.03. Execution of Bonds. The Series 2008 A Bonds shall be

executed in the name of the Issuer by the Mayor, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Recorder. In case any one or more of the officers who shall have signed or sealed the Series 2008 A Bonds shall cease to be such officer of the Issuer before the Series 2008 A Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 2008 A Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Series 2008 A Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.10 hereof shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 2008 A Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2008 A Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting the Series 2008 A Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 2008 A Bonds remain outstanding, the Issuer, through the Bond Registrar or its agent, shall keep and maintain books for the registration and transfer of such Bonds.

The registered Series 2008 A Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Series 2008 A Bonds or transferring the registered Series 2008 A Bonds are exercised, all Series 2008 A Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Series 2008 A Bonds

surrendered in any such exchanges or transfers shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of Series 2008 A Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Series 2008 A Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on the Series 2008 A Bonds or, in the case of any proposed redemption of Series 2008 A Bonds, next preceding the date of the selection of Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2008 A Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 2008 A Bonds shall not, in any event, be or constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Gross Revenues derived from the operation of the System as herein provided. No holder or holders of the Series 2008 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2008 A Bonds or the interest, if any, thereon.

Section 3.08. Bonds Secured by Pledge of Gross Revenues. The payment of the debt service on the Series 2008 A Bonds shall be secured by a first lien on the Gross Revenues derived from the System. The Gross Revenues in an amount sufficient to pay the principal of and interest, if any, on and other payments for the Series 2008 A Bonds and to make all other payments hereinafter set forth, are hereby irrevocably pledged to such payments as they become due.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 2008 A Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2008 A Bonds to the original purchasers upon receipt of the documents set forth below:

A. If other than the Authority, a list of the names in which the Series 2008 A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;

B. A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2008 A Bonds to the original purchasers;

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

D. An executed copy of the Loan Agreement; and

E. The unqualified approving opinion of bond counsel on the Series 2008 A Bonds.

Section 3.10. Form of Bonds. The text of the Series 2008 A Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF WAR
WATER REVENUE BONDS, SERIES 2008 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-1

\$ _____

KNOW ALL MEN BY THESE PRESENTS: The ___ day of _____, 2008 that the TOWN OF WAR, a municipal corporation and political subdivision of the State of West Virginia in McDowell County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns the sum of _____ DOLLARS (\$ _____), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 200__, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

This bond shall not bear interest. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the ACouncil), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council, dated _____, 2008.

This Bond is issued (i) to pay a portion of the costs of the acquisition of the War Water Works (the "Project"); (ii) fund the Series 2008 A Bonds reserve Account; and (iii) to pay certain costs of issuance of the Bonds and related costs. The Project, and any further additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 31, Article 15A and Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (collectively, the "Act"), a Bond Ordinance duly enacted by the Issuer on _____, 2008, and a Supplemental Resolution duly adopted by the Issuer on _____, 2008 (collectively, the "Bond Legislation"), and is subject to all the terms and

conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THE ISSUER HAS NO BONDS OR OBLIGATIONS OTHER THAN THIS BOND WHICH IS SECURED BY GROSS REVENUES OF THE SYSTEM.

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the operation of the System and from monies in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 2008 A Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Gross 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 Gross Revenues, the monies in the Series 2008 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds; provided however, that so long as there exists in the Series 2008 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Gross 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 on this Bond.

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

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the TOWN OF WAR 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 the day and year first written above.

[SEAL]

Mayor

ATTEST:

Recorder

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2008 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 2008.

THE HUNTINGTON NATIONAL BANK,
as Registrar

Authorized Officer

(Form of)

EXHIBIT A

RECORD OF ADVANCES

<u>AMOUNT</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>DATE</u>
(1) \$		(19)	
(2)		(20)	
(3)		(21)	
(4)		(22)	
(5)		(23)	
(6)		(24)	
(7)		(25)	
(8)		(26)	
(9)		(27)	
(10)		(28)	
(11)		(29)	
(12)		(30)	
(13)		(31)	
(14)		(32)	
(15)		(33)	
(16)		(34)	
(17)		(35)	
(18)		(36)	

TOTAL \$ _____

EXHIBIT B
DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

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

Dated: _____, _____.

In the presence of:

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement. The Series 2008 A Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous ordinance or resolution, the Mayor is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "Exhibit A" and made a part hereof, and the Recorder is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed. The Loan Agreement, including all schedules and exhibits attached thereto, is hereby approved and incorporated in this Bond Legislation.

Section 3.12. "Amended Schedule A" Filing. Upon completion of the Project, the Issuer will file with the Authority and the Council a schedule the form of the which will be provided by the Council, setting forth the actual costs of the Project and sources of funds therefor.

Fund and remit to the Commission, commencing 3 months prior to the first date of payment of principal of the Series 2008 A Bonds, if not fully funded upon issuance of the Series 2008 A Bonds, for deposit in the Series 2008 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2008 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2008 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2008 A Bonds Reserve Requirement.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any reserve account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in as provided herein. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided that, any deficiencies in any reserve account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof) shall be promptly eliminated with monies from the Renewal and Replacement Fund.

(4) The Issuer shall next, each month, transfer from the Revenue Fund an amount sufficient to pay all current Operating Expenses of the System.

Monies in the Series 2008 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Series 2008 A Bonds as the same shall become due. Monies in the Series 2008 A Bonds Reserve Account shall be used only for the purposes of paying principal of and interest, if any, on the Series 2008 A Bonds as the same shall come due, when other monies in the Series 2008 A Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on monies in the Series 2008 A Bonds Sinking Fund and the Series 2008 A Bonds Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during the Project, be deposited in the Series 2008 A Bonds Project Fund, and following completion of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 2008 A Bonds and then to the next ensuing principal payment due thereon.

Any withdrawals from the Series 2008 A Bonds Reserve Account which result in a reduction in the balance of the Series 2008 A Bonds Reserve Account to below the Series 2008 A Bonds Reserve Requirement shall be subsequently restored from the first Gross Revenues available after all required payments have been made in full in the priority as set forth above.

As and when additional Bonds ranking on a parity with the Series 2008 A

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

The Issuer shall not be required to make any further payments into the Series 2008 A Bonds Sinking Fund or the Series 2008 A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Series 2008 A Bonds issued pursuant to this Bond Legislation then Outstanding and all interest, if any, to accrue until the maturity thereof.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2008 A Bonds Sinking Fund and the Series 2008 A Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited. If required by the Authority at anytime, the Issuer shall make the necessary arrangements whereby required payments into said accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Monies in the Series 2008 A Bonds Sinking Fund and the Series 2008 A Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2008 A Bonds Sinking Fund and the Series 2008 A Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2008 A Bonds under the conditions and restrictions set forth herein.

B. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required principal, interest, if any, and reserve payments with respect to the Series 2008 A Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation.

C. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove provided, are current and there remains in the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by law, such excess shall be considered as surplus revenues (the "Surplus Revenues"). Surplus Revenues may be used for any lawful purpose of the System.

D. The Issuer shall complete the "Monthly Payment Form," a form of which is attached to the Loan Agreement, and submit a copy of said form along with a copy of its

payment check to the Authority by the 5th day of such calendar month.

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

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

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

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

ARTICLE VI

BOND PROCEEDS; DISBURSEMENTS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the monies received from the sale of the Series 2008 A Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2008 A Bonds, there shall be deposited with the Commission in the Series 2008 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding of the Series 2008 A Bonds Reserve Account.

B. As the Issuer receives advances of the remaining monies derived from the sale of the Series 2008 A Bonds, such monies shall be deposited with the Depository Bank in the Series 2008 A Bonds Project Fund and applied solely to payment of the costs of the Project in the manner set forth in Section 6.02 hereof and, until so expended, are hereby pledged as additional security for the Series 2008 A Bonds.

C. After completion of the Project, and all costs have been paid, any remaining proceeds of the Series 2008 A Bonds shall be expended as directed by the Authority and the Council.

Section 6.02. Disbursement from the Bond Project Fund.

The Issuer shall each month provide the Council with a requisition for the costs incurred for the Project, together with such documentation as the Council shall require. Payments for Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Series 2008 A Bonds Project Fund shall be made only after submission to, and approval from, the Council of a certificate, signed by an Authorized Officer stating that:

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

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

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

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

Pending such application, monies in the Series 2008 A Bonds Project Fund shall

be invested and reinvested in Qualified Investments at the written direction of the Issuer.

The Issuer shall expend all proceeds of the Series 2007 A Bonds within 3 years of the date of issuance of the Council's bonds, the proceeds of which were used to make the loan to the Issuer, if applicable.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2008 A Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 2008 A Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2008 A Bonds or the interest, if any, thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2008 A Bonds shall not be nor constitute a corporate indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of the Series 2008 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2008 A Bonds or the interest, if any, thereon.

Section 7.03. Bonds Secured by Pledge of Gross Revenues. The payment of the debt service on the Series 2008 A Bonds shall be secured by a first lien on the Gross Revenues derived from the System. The Gross Revenues in an amount sufficient to pay the principal of and interest, if any, on the Series 2008 A Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreement.

So long as the Series 2008 A Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Bond Legislation and in compliance with the Loan Agreement. In the event the Series 2008 A Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement, the Issuer hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement.

Section 7.05. Sale of the System. So long as the Series 2008 A Bonds are outstanding and except as otherwise required by law or with the written consent of the Authority and the Council, 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 fully pay all the Bonds Outstanding, in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 2008 A Bonds, immediately be remitted to the Commission for deposit in the Series 2008 A Bonds Sinking Fund, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest, if any, on the Series 2008 A Bonds. Any balance remaining after the payment of the Series 2008 A Bonds and interest, if any, 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 is not in excess of \$10,000, the Issuer shall, by resolution duly adopted, 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 shall be in excess of \$10,000 but not in excess of \$50,000, the Issuer shall first, in writing, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds derived from any such sale, lease or other disposition of such property, in excess of \$10,000 and not in excess of \$50,000, shall be deposited in the Renewal and Replacement Fund. The payment of such proceeds into the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Bond Legislation.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom shall be in excess of \$50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders of the Series 2008 A Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Series 2008 A Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided for in Section 7.07 hereof, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System

into the respective funds and accounts provided for in this Bond Legislation on account of the Series 2008 A Bonds then Outstanding, and any other payments provided for in this Bond Legislation, shall have been made in full as required to the date of issuance of the Parity Bonds and the Issuer is then in full compliance with all the covenants, agreements and terms of this Bond Legislation and every ordinance supplemental thereto, or shall have fully corrected any delinquency or deficiency in such payments.

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

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

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

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

The Issuer shall file with the Authority and the Council, or any other original purchaser of the Series 2008 A Bonds, and shall mail in each year to any Holder or Holders of the Series 2008 A Bonds, requesting the same, an annual report containing the following:

- (A) A statement of Gross Revenues, Operating Expenses, Net Revenues and Surplus

Revenues derived from and relating to the System.

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

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

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants which audit shall be in compliance with the applicable OMB Circular, or any successor thereof, and the Single Audit Act, or any successor thereof, to the extent legally required, and shall mail upon request, and make available generally, the report of the Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 2008 A Bonds and shall submit the report to the Authority and the Council, or any other original purchaser of the Series 2008 A Bonds. Such audit report submitted to the Authority and the Council shall include a statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under government auditing standards and, if they are, describes the instances of noncompliance and the audited financial statements shall include a statement that notes whether the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

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

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

Section 7.09. Rates. Prior to the issuance of the Series 2008 A Bonds, rates or charges for the use of the services and facilities of the System will be fixed and established, all in the manner and form required by law, and a copy of such rates and charges so fixed and established shall at all times be kept on file in the office of the Recorder of the Issuer, which copy will be open to inspection by all interested parties. The schedule or schedules of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds and accounts

created hereunder. Such schedule or schedules of rates and charges shall be revised from time to time, whenever necessary, so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule or schedules of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System, (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2008 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2008 A Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirement are on deposit respectively in the Series 2008 A Bonds Reserve Account and reserve accounts for obligations on a parity with the Series 2008 A Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2008 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2008 A Bonds. In any event, the Issuer shall not reduce the rates or charges for services set forth in the rate ordinance currently in effect.

The Issuer hereby covenants to commence enactment of such ordinance or ordinances as shall be required to increase the rates and charges for the services and facilities of the System within 30 days following a determination of the Issuer that less than the above-required coverage exists or in the event that the annual audit report shows less than the above-required coverage, such increase to provide rates and charges sufficient to produce such required coverage.

Section 7.10. Operating Budget and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the Council within 30 days of adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a registered professional engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of a registered professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority, the Council and to any Holder of any Bonds who shall file his or her address with the Issuer and request in writing that copies of all such budgets 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 the Authority, the Council and any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

Commencing on the date of the Closing Date and for 2 years following the completion of the Project, the Issuer shall each month complete a "Monthly Financial Report," a form of which is attached to the Loan Agreement, and forward a copy of such report to the Authority and the Council by the 10th day of each month.

Section 7.11. Engineering Services and Operating Personnel. The Issuer will obtain a certificate of the Consulting Engineers in the form attached to the Loan Agreement.

The Issuer shall employ qualified operating personnel properly certified by the State to operate the System during the entire term of the Loan Agreement.

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

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

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 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 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 7.14. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be

established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of either shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer, and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Series 2008 A Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the greater of the fair appraised value or 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. In the event of any damage to or destruction of any portion of the System, the proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repair or reconstruction of such damages or destroyed portion or for the other purposes provided herein for the 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 Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during the Project on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Issuer, the prime contractor 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) WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT BONDS, such bonds to be in the amounts of not less than 100% of the amount of any construction contract and to be required of each contractor dealing directly with the Issuer and such payment bonds will be filed with the Clerk of the County Commission of the County in which such work is to be performed prior to commencement of construction of any additions, extensions or improvements for the System in compliance with West Virginia Code, Section 38-2-39.

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

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

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

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

The Issuer shall also require all contractors engaged in the Project to carry such worker's compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project; provided that the amounts and terms of such coverage are satisfactory to the Authority and the Council, and the Issuer shall verify such insurance prior to commencement of the Project. In the event the Loan Agreement so requires, such insurance shall be made payable to the order of the Authority, the Issuer, the prime contractor and all subcontractors, as their interests may appear.

Section 7.16. Mandatory Connections. To the extent permitted by the laws of the State and rules and regulations of the Public Service Commission of West Virginia, the Issuer shall require every owner, tenant or occupant of any house, dwelling, or building intended to be served by the System to connect thereto.

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

The Issuer has obtained all permits required by state and federal laws for the Project, all orders and approvals from the Public Service Commission of West Virginia and the Council necessary for the Project and the operation of the System and all approvals for the issuance of the Series 2008 A Bonds required by State law, with all appeal periods having expired without successful appeal.

Section 7.18. Compliance with Loan Agreement and Law. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Loan Agreement and the Act. Notwithstanding anything herein to the contrary, the Issuer will provide the Council with copies of all documents submitted to the Authority. The Issuer also agrees to comply with all applicable laws, rules and regulations issued by the Authority, the Council or other state, federal or local bodies in regard to the Project and the operation, maintenance and use of the System.

Section 7.19. Reserved.

Section 7.20. Securities Law Compliance. The Issuer will provide the Authority, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of changes in usage and customer base) so that the Authority may comply with the provisions of SEC Rule 15c2-12 (17 CFR Part 240).

Section 7.21. Contracts; Public Releases. A. The Issuer shall, simultaneously with the delivery of the Series 2008 A Bonds or immediately thereafter, enter into written contracts for the immediate acquisition of the Project.

B. The Issuer shall obtain the written approval of the Council before expending any proceeds of the Series 2008 A Bonds held in Acontingency@ as set forth in the schedule attached to the certificate of the Consulting Engineer. The Issuer shall also obtain the written approval of the Council before expending any proceeds of the Series 2008 A Bonds made available due to project underruns.

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

ARTICLE VIII

INVESTMENT OF FUNDS

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

Any investment shall be held in and at all times deemed a part of the fund or account in which such monies were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The 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 investment or trust 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, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings.

Section 8.02. Certificate as to Use of Proceeds; Covenants as to Use of Proceeds. The Issuer shall deliver a certificate as to use of proceeds or other similar certificate to be prepared by nationally recognized bond counsel relating to restrictions on the use of proceeds of the Series 2008 A Bonds as a condition to issuance of the Series 2008 A Bonds. In addition, the Issuer covenants (i) to comply with the Code and all Regulations from time to time in effect and applicable to the Series 2008 A Bonds as may be necessary in order to maintain the status of the Series 2008 A Bonds as governmental bonds; (ii) that it shall not take, or permit or suffer to be taken, any action with respect to the Issuer's use of the proceeds of the Series 2008 A Bonds which would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Code, issued by the Authority or the Council, as the case may be, from which the proceeds of the Series 2008 A Bonds are derived, to lose their status as tax-exempt bonds; and (iii) to take such action, or refrain from taking such action, as shall be

deemed necessary by the Issuer, or requested by the Authority or the Council, to ensure compliance with the covenants and agreements set forth in this Section, regardless of whether such actions may be contrary to any of the provisions of this Resolution.

The Issuer shall annually furnish to the Authority information with respect to the Issuer's use of the proceeds of the Series 2008 A Bonds and any additional information requested by the Authority.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2008 A Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest, if any, on any Series 2008 A 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 Series 2008 A Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2008 A Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, the Registrar, the Paying Agent or any other Paying Agent or a Holder of a Bond; or

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

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

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

Legislation and the Act.

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

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

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the completion of the Project and the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

PAYMENT OF BONDS

Section 10.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid, to the Holders of the Series 2008 A Bonds, the principal of and ,interest, if any, due or to become due thereon, if any, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Gross Revenues and other monies and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2008 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest, if any, on the Series 2008 A Bonds from gross income for federal income tax purposes.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to issuance of the Series 2008 A Bonds, this Ordinance may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2008 A Bonds, no material modification or amendment of this Ordinance, or of any ordinance, resolution or order amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 2008 A Bonds shall be made without the consent in writing of the Registered Owners of the Series 2008 A Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of the Series 2008 A Bonds or the rate of interest, if any, 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 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 Series 2008 A Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludability of interest on the Series 2008 A Bonds from gross income of the holders thereof.

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

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Ordinance should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance, the Supplemental Resolution or the Series 2008 A Bonds.

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

Section 11.05. Conflicting Provisions Repealed. All ordinances, orders or resolutions and or parts thereof in conflict with the provisions of this Ordinance are, to the extent of such conflict, hereby repealed.

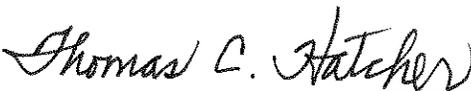
Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be

taken precedent to and in the adoption of this Ordinance do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Mayor, the Recorder and members of the Governing Body were at all times when any actions in connection with this Ordinance occurred and are duly in office and duly qualified for such office.

Section 11.07. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Ordinance determined by the Governing Body to contain sufficient information as to give notice of the contents hereof shall be published once a week for 2 successive weeks within a period of fourteen consecutive days, with at least 6 full days intervening between each publication, in the *Welch Daily News*, a newspaper published and of general circulation in the Town of War, together with a notice stating that this Ordinance has been adopted and that the Issuer contemplates the issuance of the Series 2008 A Bonds, and that any person interested may appear before the Governing Body upon a date certain, not less than ten days subsequent to the date of the first publication of such abstract of this Ordinance and notice, and present protests, and that a certified copy of this Ordinance is on file with the Governing Body for review by interested persons during office hours of the Governing Body. At such hearing, all objections and suggestions shall be heard and the Governing Body shall take such action as it shall deem proper in the premises.

Section 11.08. Effective Date. This Ordinance shall take effect immediately following public hearing hereon.

Passed on First Reading:	December 19, 2007
Passed on Second Reading:	December 28, 2007
Passed on Final Reading Following Public Hearing:	January 16, 2008



Mayor

CERTIFICATION

Certified a true copy of an Ordinance duly enacted by the Council of the TOWN OF WAR on the 16th day of January, 2008.

Dated: June 26, 2008.

[SEAL]

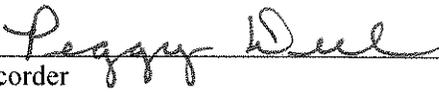

Recorder

EXHIBIT A

Loan Agreement included in bond transcript as Document No. 3

TOWN OF WAR

Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISION, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA INFRASTRUCTURE FUND), OF THE TOWN OF WAR; APPROVING AND RATIFYING THE LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; CHANGING THE SERIES DESIGNATION; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the council (the "Governing Body") of the Town of War (the "Issuer") has duly and officially adopted and enacted a bond ordinance, effective January 16, 2008 (the "Bond Ordinance"), entitled:

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF THE TOWN OF WAR AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE TOWN OF WAR OF NOT MORE THAN \$250,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Bond Ordinance provides for the issuance of Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), of the Issuer (the "Bonds"), in an aggregate principal amount not to exceed \$250,000, and has authorized the execution and delivery of the loan agreement relating to the Bonds, including all schedules and exhibits attached thereto, by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council") (the "Loan Agreement"), all in accordance with Chapter 31, Article 15a and Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (collectively, the "Act"), and in the Bond Ordinance it is provided that the form of the Loan Agreement and the exact principal amount, date, maturity date, redemption provision, interest rate, interest and principal payment dates, sale price and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

WHEREAS, the Loan Agreement has been presented to the Issuer at this meeting;

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

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

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF TOWN OF WAR:

Section 1. Pursuant to the Bond Ordinance and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), of the Issuer, originally represented by a single bond, numbered AR-1, in the principal amount of \$215,300. The Series 2008 A Bonds shall be dated the date of delivery thereof, shall finally mature June 1, 2048 and shall not bear interest. The principal on the Series 2008 A Bonds shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 2008, to and including June 1, 2048, and in the amounts as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Series 2008 A Bonds. The Series 2008 A Bonds shall be subject to redemption upon the written

consent of the Authority and the Council, and upon payment of the redemption premium, if any, and otherwise in compliance with the Loan Agreement, so long as the Authority shall be the registered owner of the Series 2008 A Bonds.

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

Section 3. The Issuer does hereby authorize, approve, ratify and accept the Loan Agreement, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Mayor, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed, ratified and approved. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the applications to the Council and the Authority. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon, provided that the proceeds of the Bonds shall be advanced from time to time as requisitioned by the Issuer.

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

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

Section 6. The Issuer does hereby appoint and designate Ameribank, War, West Virginia, to serve as Depository Bank under the Bond Ordinance.

Section 7. Series 2008 A Bonds proceeds in the amount of \$-0- shall be deposited in the Series 2008 A Bonds Sinking Fund, as capitalized interest.

Section 8. Series 2008 A Bonds proceeds in the amount of \$5,420 shall be deposited in the Series 2008 A Bonds Reserve Account.

Section 9. The balance of the proceeds of the Series 2008 A Bonds shall be deposited in or credited to the Series 2008 A Bonds Project Fund as received from the Council from time to time for payment of the costs of the Project, including, without limitation, costs of issuance of the Bonds and related costs.

Section 10. The Mayor and the Recorder are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection

with the Bonds hereby and by the Bond Ordinance approved and provided for, to the end that the Bonds may be delivered on or about June 26, 2008, to the Authority pursuant to the Loan Agreement.

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

Section 12. The Issuer does hereby approve and authorize all contracts relating to the Project.

Section 13. The Issuer hereby determines to invest all monies in the funds and accounts established by the Bond Ordinance held by the Depository Bank until expended, in repurchase agreements or time accounts, secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such monies to be invested in such repurchase agreements or time accounts until further directed in writing by the Issuer. Monies in the Series 2008 A Bonds Sinking Fund and the Series 2008 A Bonds Reserve Account shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 14. 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 Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Bonds as "private activity bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code and Treasury Regulations promulgated or to be promulgated thereunder.

Section 15. The Issuer hereby approves the Conformed Bond Ordinance attached hereto as Exhibit A.

Section 16. This Supplemental Resolution shall be effective immediately following adoption hereof.

[Remainder of Page Intentionally Blank]

Adopted this 18th day of June, 2008.

By: Thomas C. Hatcher
Its: Mayor

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Council of the Town of War on the 18th day of June, 2008.

Dated: June 26, 2008.

[SEAL]


Recorder

939100.00002

CH4903269.1

EXHIBIT A
Conformed Bond Ordinance

LOAN AGREEMENT

THIS LOAN AGREEMENT, made and entered into in several counterparts, by and between the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), acting on behalf of the WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL (the "Council"), and the governmental agency designated below (the "Governmental Agency").

TOWN OF WAR

(Governmental Agency)

W I T N E S S E T H:

WHEREAS, pursuant to the provisions of Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (the "Act"), the Authority is empowered upon request of the Council to make loans to governmental agencies for the acquisition or construction of projects by such governmental agencies, subject to such provisions and limitations as are contained in the Act;

WHEREAS, the Governmental Agency constitutes a governmental agency as defined by the Act;

WHEREAS, the Governmental Agency is authorized and empowered by the statutes of the State to acquire, construct, improve, operate and maintain a project, as defined by the Act, and to finance the cost of acquisition and construction of the same by borrowing money to be evidenced by revenue bonds issued by the Governmental Agency;

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

WHEREAS, the Governmental Agency has completed and filed with the Authority an Application for a Construction Loan with attachments and exhibits and an Amended Application for a Construction Loan also with attachments and exhibits (together,

as further revised and supplemented, the "Application"), which Application is incorporated herein by this reference; and

WHEREAS, having reviewed the Application and made all findings required by the Act and having available sufficient funds therefor, the Council has authorized the Authority to lend the Governmental Agency the amount set forth on Schedule X attached hereto and incorporated herein by reference, through the purchase of revenue bonds of the Governmental Agency with money in the Infrastructure Fund, subject to the Governmental Agency's satisfaction of certain legal and other requirements of the Council's loan program (the "Program") as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter contained, the Governmental Agency and the Authority hereby agree as follows:

ARTICLE I

Definitions

1.1 Except where the context clearly indicates otherwise, the terms "Authority," "cost," "Council," "governmental agency," "project," "waste water facility" and "water facility" have the definitions and meanings ascribed to them in the Act.

1.2 "Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Bonds, acting in its administrative capacity pursuant to Section 10 of the Act and upon authorization from the Council.

1.3 "Consulting Engineers" means the professional engineer, licensed by the State, designated in the Application and any qualified successor thereto; provided, however, when a Loan is made for a Project financed, in part, by the Office of Abandoned Mine Lands, "Consulting Engineers" shall mean the West Virginia Department of Environmental Protection, or any successor thereto.

1.4 "Infrastructure Fund" means the West Virginia Infrastructure Fund established in accordance with Section 9 of the Act.

1.5 "Loan" means the loan to be made by the Authority to the Governmental Agency through the purchase of Local Bonds, as hereinafter defined, pursuant to this Loan Agreement.

1.6 "Local Act" means the official action of the Governmental Agency required by Section 4.1 hereof, authorizing the Local Bonds.

1.7 "Local Bonds" means the revenue bonds to be issued by the Governmental Agency pursuant to the provisions of the Local Statute, as hereinafter defined, to evidence the Loan and to be purchased by the Authority, all in accordance with the provisions of this Loan Agreement.

1.8 "Local Statute" means the specific provisions of the Code of West Virginia, 1931, as amended, pursuant to which the Local Bonds are issued.

1.9 "Operating Expenses" means the reasonable, proper and necessary costs of operation and maintenance of the System, as hereinafter defined, as should normally and regularly be included as such under generally accepted accounting principles.

1.10 "Project" means the project hereinabove referred to, to be constructed or being constructed by the Governmental Agency in whole or in part with the net proceeds of the Local Bonds.

1.11 "System" means the project owned by the Governmental Agency, of which the Project constitutes all or to which the Project constitutes an improvement, and any improvements thereto hereafter constructed or acquired from any sources whatsoever.

1.12 Additional terms and phrases are defined in this Loan Agreement as they are used.

ARTICLE II

The Project and the System

2.1 The Project shall generally consist of the construction and acquisition of the facilities described in the Application, to be, being or having been constructed in accordance with plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers, the Authority and Council having found, to the extent applicable, that the Project is consistent with the Act.

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

2.3 All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency, subject to any mortgage lien or other security interest as is provided for in the Local Statute unless a sale or transfer of all or a portion of said property or any interest therein is approved by the Authority and Council.

2.4 The Governmental Agency agrees that the Authority and the Council and their duly authorized agents shall have the right at all reasonable times to enter upon the Project site and Project facilities and to examine and inspect the same. The Governmental Agency further agrees that the Authority and the Council and their duly authorized agents and representatives shall, prior to, during and after completion of construction and commencement of operation of the Project, have such rights of access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority and the Council with respect to the System pursuant to the pertinent provisions of the Act.

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

2.6 The Governmental Agency agrees that it will permit the Authority and the Council and their agents and representatives to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the System at any reasonable time following completion of construction of the Project and commencement of operation thereof or if the Project is an improvement to an existing system at any reasonable time following commencement of construction.

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

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

contractor and all subcontractors, as their interests may appear. If facilities of the System which are detrimentally affected by flooding are or will be located in designated special flood or mudslide-prone areas and if flood insurance is available at a reasonable cost, a flood insurance policy must be obtained by the Governmental Agency on or before the Date of Loan Closing, as hereinafter defined, and maintained so long as any of the Local Bonds is outstanding. Prior to commencing operation of the Project, the Governmental Agency must also obtain, and maintain so long as any of the Local Bonds are outstanding, business interruption insurance if available at a reasonable cost.

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

2.10 The Governmental Agency shall at all times provide operation and maintenance of the System in compliance with any and all State and federal standards. The Governmental Agency shall employ qualified operating personnel properly certified by the State to operate the System during the entire term of this Loan Agreement.

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

2.12 The Governmental Agency, commencing on the date contracts are executed for the acquisition or construction of the Project and for two years following the completion of acquisition or construction of the Project, shall each month complete a Monthly Financial Report, the form of which is attached hereto as Exhibit C and incorporated herein by reference, and forward a copy by the 10th of each month to the Authority and Council.

ARTICLE III

Conditions to Loan; Issuance of Local Bonds

3.1 The agreement of the Authority and Council to make the Loan is subject to the Governmental Agency's fulfillment, to the satisfaction of the Authority and the Council, of each and all of those certain conditions precedent on or before the delivery date for the Local Bonds, which shall be the date established pursuant to Section 3.4 hereof. Said conditions precedent are as follows:

(a) The Governmental Agency shall have performed and satisfied all of the terms and conditions to be performed and satisfied by it in this Loan Agreement;

(b) The Governmental Agency shall have authorized the issuance of and delivery to the Authority of the Local Bonds described in this Article III and in Article IV hereof;

(c) The Governmental Agency shall either have received bids or entered into contracts for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application; provided that, if the Loan will refund an interim construction financing, the Governmental Agency must either be constructing or have constructed its Project for a cost and as otherwise compatible with the plan of financing described in the Application; and, in either case, the Authority and the Council shall have received a certificate of the Consulting Engineers to such effect, the form of which certificate is attached hereto as Exhibit A;

(d) The Governmental Agency shall have obtained all permits required by the laws of the State and the federal government necessary for the construction of the Project, and the Authority and the Council shall have received a certificate of the Consulting Engineers to such effect;

(e) The Governmental Agency shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") and the Council necessary for the construction of the Project and operation of the System, with all requisite appeal periods having expired without successful appeal, and the Authority and the Council shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority and the Council, to such effect;

(f) The Governmental Agency shall have obtained any and all approvals for the issuance of the Local Bonds required by State law, and the Authority and the Council shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

(g) The Governmental Agency shall have obtained any and all approvals of rates and charges required by State law and shall have taken any other action required to establish and impose such rates and charges (imposition of such rates and charges is not, however, required to be effective until completion of construction of the Project), with all requisite appeal periods having expired without successful appeal, and the Authority and the Council shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority and the Council, to such effect;

(h) Such rates and charges for the System shall be sufficient to comply with the provisions of Subsections 4.1(a) and 4.1(b)(ii) hereof, and the Authority and the Council shall have received a certificate of the accountant for the Governmental Agency, or such other person or firm experienced in the finances of governmental agencies and satisfactory to the Authority and the Council, to such effect; and

(i) The net proceeds of the Local Bonds, together with all moneys on deposit or to be simultaneously deposited (or, with respect to proceeds of grant anticipation notes or other indebtedness for which a binding purchase contract has been entered, to be deposited on a date certain) and irrevocably pledged thereto and the proceeds of grants irrevocably committed therefor, shall be sufficient to pay the costs of construction and acquisition of the Project as set forth in the Application, and the Authority shall have received a certificate of the Consulting Engineers, or such other person or firm experienced in the financing of projects and satisfactory to the Authority and the Council, to such effect, such certificate to be in form and substance satisfactory to the Authority and the Council, and evidence satisfactory to the Authority and the Council of such irrevocably committed grants.

3.2 Subject to the terms and provisions of this Loan Agreement, the rules and regulations promulgated by the Authority, the Council or any other appropriate State agency and any applicable rules, regulations and procedures promulgated from time to time by the federal government, it is hereby agreed that the Authority shall make the Loan to the Governmental Agency and the Governmental Agency shall accept the Loan from the Authority, and in furtherance thereof it is agreed that the Governmental Agency shall sell to the Authority and the Authority shall make the Loan by purchasing the Local Bonds in the principal amount and at the price set forth in Schedule X hereto. The Local Bonds shall have such further terms and provisions as described in Article IV hereof.

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

3.4 The Local Bonds shall be delivered to the Authority, at the offices of the Authority, on a date designated by the Governmental Agency by written notice to the Authority, which written notice shall be given not less than ten (10) business days prior to the date designated; provided, however, that if the Authority is unable to accept delivery on the date designated, the Local Bonds shall be delivered to the Authority on a date as close as

possible to the designated date and mutually agreeable to the Authority, the Council and the Governmental Agency. The date of delivery so designated or agreed upon is hereinafter referred to as the "Date of Loan Closing." Notwithstanding the foregoing, the Date of Loan Closing shall in no event occur more than ninety (90) days after the date of execution of this Loan Agreement by the Authority or such later date as is agreed to in writing by the Council.

3.5 The Governmental Agency understands and acknowledges that it is one of several governmental agencies which have applied to the Council for loans from the Infrastructure Fund to finance projects and that the obligation of the Authority to make any such loan is subject to the Council's authorization and the Governmental Agency's fulfilling all of the terms and conditions of this Loan Agreement on or prior to the Date of Loan Closing. The Governmental Agency specifically recognizes that the Authority will not purchase the Local Bonds unless and until sufficient funds are available in the Infrastructure Fund to purchase all the Local Bonds and that, prior to execution of this Loan Agreement, the Authority may commit to and purchase the revenue bonds of other governmental agencies for which it has sufficient funds available.

ARTICLE IV

Local Bonds; Security for Loan;
Repayment of Loan; Interest on Loan;
Fees and Charges

4.1 The Governmental Agency shall, as one of the conditions of the Authority to make the Loan, authorize the issuance of and issue the Local Bonds pursuant to an official action of the Governmental Agency in accordance with the Local Statute, which shall, as adopted or enacted, contain provisions and covenants in substantially the form as follows, unless the specific provision or covenant is modified or waived by the Council:

(a) That the gross revenues of the System shall always be used for purposes of the System. Such gross revenues shall be used monthly, in the order of priority listed below:

(i) to pay Operating Expenses of the System;

(ii) to the extent not otherwise limited by any outstanding loan resolution, indenture or other act or document and beginning on the date set forth in Schedule X, to provide debt service on the Local Bonds by depositing in a sinking fund one-third (1/3) of the interest payment next coming due on the Local Bonds and one-third (1/3) of the principal payment next coming due on the Local Bonds and, beginning three (3) months prior to the first date of payment of principal of the Local Bonds, if the reserve account for the Local Bonds (the "Reserve Account") was not funded from proceeds of the Local Bonds or otherwise concurrently with the issuance thereof (which, with an approving opinion of bond counsel to the Governmental Agency, may be with a letter of credit or surety) in an amount

equal to the maximum amount of principal and interest which will come due on the Local Bonds in the then current or any succeeding year (the "Reserve Requirement"), by depositing in the Reserve Account an amount not less than one-twelfth (1/12) of one-tenth (1/10) of the Reserve Requirement or, if the Reserve Account has been so funded (whether by Local Bond proceeds, monthly deposits or otherwise), any amount necessary to maintain the Reserve Account at the Reserve Requirement;

(iii) to create a renewal and replacement, or similar, fund in an amount equal to two and one-half percent (2-1/2%) of the gross revenues from the System, exclusive of any payments into the Reserve Account, for the purpose of improving or making emergency repairs or replacements to the System or eliminating any deficiencies in the Reserve Account; and

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

Provided, that if the Governmental Agency has existing outstanding indebtedness which has greater coverage or renewal and replacement fund requirements, then the greater requirements will prevail until said existing indebtedness is paid in full.

(b) Covenants substantially as follows:

(i) That the Local Bonds shall be secured by a pledge of either the gross or net revenues of the System, as more fully set forth in Schedule X attached hereto and in the Local Act;

(ii) That the schedule of rates or charges for the services of the System shall be sufficient to provide funds which, along with other revenues of the System, will pay all Operating Expenses and leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount required in any year for debt service on the Local Bonds and all other obligations secured by a lien on or payable from the revenues of the System prior to or on a parity with the Local Bonds or, if the Reserve Account is funded (whether by Local Bond proceeds, monthly deposits or otherwise) at an amount equal to the Reserve Requirement and any reserve account for any such prior or parity obligations is funded at least at the requirement therefor, equal to at least one hundred ten percent (110%) of the maximum amount required in any year for debt service on the Local Bonds and any such prior or parity obligations;

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

(iv) That, except as otherwise required by State law or with the written consent of the Council and the Authority, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Local Bonds

outstanding, with further restrictions on the disposition of portions of the System as are normally contained in such covenants;

(v) That the Governmental Agency shall not issue any other obligations payable from the revenues of the System which rank prior to, or equally, as to lien and security with the Local Bonds, except parity bonds which shall only be issued if net revenues of the System prior to issuance of such parity bonds, plus reasonably projected revenues from rate increases and the improvements to be financed by such parity bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on all Local Bonds and parity bonds theretofore and then being issued and on any obligations secured by a lien on or payable from the revenues of the System prior to the Local Bonds and with the prior written consent of the Authority and the Council; provided, however, that additional parity bonds may be issued to complete the Project, as described in the Application as of the date hereof, without regard to the foregoing;

(vi) That the Governmental Agency will carry such insurance as is customarily carried with respect to works and properties similar to the System, including those specified by Section 2.8 hereof;

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

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

(ix) That, to the extent authorized by the laws of the State and the rules and regulations of the PSC, all delinquent rates and charges, if not paid when due, shall become a lien on the premises served by the System;

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

(xi) That the Governmental Agency shall annually cause the records of the System to be audited by an independent certified public accountant or independent public accountant and shall submit the report of said audit to the Authority and the Council, which report shall include a statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under government auditing standards and, if they are, describes the instances of noncompliance and the audited financial statements shall include a statement that notes whether the Governmental Agency's

revenues are adequate to meet its Operating Expenses and debt service and reserve requirements;

(xii) That the Governmental Agency shall annually adopt a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding fiscal year and shall submit a copy of such budget to the Authority and the Council within 30 days of adoption thereof;

(xiii) That, to the extent authorized by the laws of the State and the rules and regulations of the PSC, prospective users of the System shall be required to connect thereto;

(xiv) That the proceeds of the Local Bonds, advanced from time to time, must (a) be deposited in a construction fund, which, except as otherwise agreed to in writing by the Authority, shall be held separate and apart from all other funds of the Governmental Agency and on which the owners of the Local Bonds shall have a lien until such proceeds are applied to the construction of the Project (including the repayment of any incidental interim financing) and/or (b) be used to pay (or redeem) bond anticipation notes or other interim financing of such Governmental Agency, the proceeds of which were used to finance the construction of the Project; provided that, with the prior written consent of the Authority and the Council, the proceeds of the Local Bonds may be used to fund all or a portion of the Reserve Account, on which the owner of the Local Bonds shall have a lien as provided herein;

(xv) That, as long as the Authority is the owner of any of the Local Bonds, the Governmental Agency may not redeem any Local Bonds by it without the written consent of the Authority and the Council and otherwise in compliance with this Loan Agreement;

(xvi) That the West Virginia Municipal Bond Commission (the "Commission") shall serve as paying agent for the Local Bonds;

(xvii) That the Governmental Agency shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required interest, principal and reserve account payment. The Governmental Agency shall complete the Monthly Payment Form, attached hereto as Exhibit D and incorporated herein by reference, and submit a copy of said form along with a copy of the check or electronic transfer to the Authority by the 5th day of such calendar month;

(xviii) That, unless it qualifies for an exception to the provisions of Section 148 of the Internal Revenue Code of 1986, as amended, which exception shall be set forth in an opinion of bond counsel, the Governmental Agency will furnish to the Authority, annually, at such time as it is required to perform its rebate calculations under the

Internal Revenue Code of 1986, as amended, a certificate with respect to its rebate calculations and, at any time, any additional information requested by the Authority;

(xix) That the Governmental Agency shall take any and all action, or shall refrain from taking any action regarding the use of the proceeds of the Local Bonds, as shall be deemed necessary by the Authority to maintain the exclusion from gross income for federal income tax purposes of interest on the State's general obligation bonds or any bonds secured by the Local Bonds;

(xx) That the Governmental Agency shall have obtained the certificate of the Consulting Engineer in the form attached hereto as Exhibit A, to the effect that the Project has been or will be constructed in accordance with the approved plans, specifications and design as submitted to the Authority and the Council, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority and the Council is sufficient to pay the costs of acquisition and construction of the Project and all permits required by federal and State laws for construction of the Project have been obtained;

(xxi) That the Governmental Agency shall, to the full extent permitted by applicable law and the rules and regulations of the PSC, terminate the services of any water facility owned by it to any customer of the System who is delinquent in payment of charges for services provided by the System and will not restore the services of the water facility until all delinquent charges for the services of the System have been fully paid or, if the water facility is not owned by the Governmental Agency, then the Governmental Agency shall enter into a termination agreement with the water provider;

(xxii) That the Governmental Agency shall furnish to the Authority such information with respect to earnings on all funds constituting "gross proceeds" of the Local Bonds (as that term is defined in the Internal Revenue Code of 1986, as amended) from time to time as the Authority may request;

(xxiii) That the Governmental Agency shall submit all proposed change orders to the Council for written approval. The Governmental Agency shall obtain the written approval of the Council before expending any proceeds of the Local Bonds held in "contingency" as set forth in the final Schedule B attached to the certificate of the Consulting Engineer. The Governmental Agency shall obtain the written approval of the Council before expending any proceeds of the Local Bonds available due to bid/construction/project underruns;

(xxiv) That the Governmental Agency shall list the funding provided by the Authority and the Council in any press release, publication, program bulletin, sign or other public communication that references the Project, including but not limited to any program document distributed in conjunction with any groundbreaking or dedication of the Project; and

(xxv) That, unless it qualifies for an exception, the Governmental Agency shall comply with all the requirements of Chapter 21, Article 1C of the Code of West Virginia, 1931, as amended (the "West Virginia Jobs Act") and shall require its contractors and subcontractors to comply with the West Virginia Jobs Act. The Governmental Agency shall provide the Council and the Authority with a certificate stating that (I) the Governmental Agency will comply with all the requirements of the West Virginia Jobs Act; (II) the Governmental Agency has included the provisions of the West Virginia Jobs Act in each contract and subcontract for the Project; (III) the Governmental Agency has received or will receive, prior to entering into contracts or subcontracts, from each contractor or subcontractor a certificate demonstrating compliance with Section 4 of the West Virginia Jobs Act or waiver certificates from the West Virginia Division of Labor ("DOL"); and (IV) the Governmental Agency will file with the DOL and the Council copies of the waiver certificates and certified payrolls or comparable documents that include the number of employees, the county and state wherein the employees reside and their occupation, following the procedures established by the DOL. The monthly requisitions submitted to the Council shall also certify that the Governmental Agency is monitoring compliance by its contractors and subcontractors and that the required information has been submitted.

The Governmental Agency hereby represents and warrants that the Local Act has been or shall be duly adopted in compliance with all necessary corporate and other action and in accordance with applicable provisions of law. All legal matters incident to the authorization, issuance, validity, sale and delivery of the Local Bonds shall be approved without qualification by recognized bond counsel acceptable to the Authority in substantially the form of legal opinion attached hereto as Exhibit B.

4.2 The Loan shall be secured by the pledge and assignment by the Governmental Agency, as effected by the Local Act, of the fees, charges and other revenues of the Governmental Agency from the System as further set forth by and subject only to such reservations and exceptions as are described in Schedules X and Y hereto or are otherwise expressly permitted in writing by the Authority and the Council.

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

4.4 The Loan shall bear interest from the date and at the rate or rates per annum set forth on Schedule X hereto. In no event shall the interest rate on or the net interest cost of the Local Bonds exceed any statutory limitation with regard thereto.

4.5 The Local Bonds shall be delivered to the Authority in fully registered form, transferable and exchangeable as provided in the Local Act at the expense of the Governmental Agency. Anything to the contrary herein notwithstanding, the Local Bonds may be issued in one or more series, as reflected by Schedule X hereto.

4.6 The Governmental Agency agrees to expend the net proceeds of the Local Bonds for the Project within 3 years of the issuance of the bonds which are the source of money used to purchase the Local Bonds, unless otherwise agreed to by the Council.

ARTICLE V

Certain Covenants of the Governmental Agency; Imposition and Collection of User Charges; Payments To Be Made by Governmental Agency to the Authority

5.1 The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Loan Agreement and the Local Act. The Governmental Agency hereby further irrevocably covenants and agrees that, as one of the conditions of the Authority to make the Loan, it has fixed and collected, or will fix and collect, the rates, fees and other charges for the use of the System and will take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Local Act and in compliance with the provisions of Subsections 4.1(a) and 4.1(b)(ii) hereof.

5.2 In the event, for any reason, the schedule of rates, fees and charges initially established for the System in connection with the Local Bonds shall prove to be insufficient to produce the required sums set forth in the Local Act and this Loan Agreement, the Governmental Agency hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges (or where applicable, immediately file with the PSC for a rate increase) and take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Local Act and this Loan Agreement.

5.3 In the event the Governmental Agency defaults in the payment due to the Authority pursuant to this Loan Agreement, the amount of such default shall bear interest at the interest rate of the installment of the Loan next due, from the date of the default until the date of the payment thereof.

5.4 The Governmental Agency hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Governmental Agency, the Authority may exercise any or all of the rights and powers granted under the Act and State law, including, without limitation, the right to an appointment of a receiver.

ARTICLE VI

Other Agreements of the Governmental Agency

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

6.2 The Governmental Agency hereby covenants that it will rebate any amounts required by Section 148 of the Internal Revenue Code of 1986, as amended, and will take all steps necessary to make any such rebates. In the event the Governmental Agency fails to make any such rebates as required, then the Governmental Agency shall pay any and all penalties, obtain a waiver from the Internal Revenue Service and take any other actions necessary or desirable to preserve the exclusion from gross income for federal income tax purposes of interest on the Local Bonds.

6.3 Notwithstanding Section 6.2, the Authority may at any time, in its sole discretion, cause the rebate calculations prepared by or on behalf of the Governmental Agency to be monitored or cause the rebate calculations for the Governmental Agency to be prepared, in either case at the expense of the Governmental Agency.

6.4 The Governmental Agency hereby agrees to give the Authority and the Council prior written notice of the issuance by it of any other obligations to be used for the System, payable from the revenues of the System or from any grants for the Project or otherwise related to the Project or the System.

6.5 The Governmental Agency hereby agrees to file with the Authority and the Council upon completion of acquisition and construction of the Project a schedule in substantially the form of Amended Schedule B to the Application, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE VII

Miscellaneous

7.1 Additional definitions, additional terms and provisions of the Loan and additional covenants and agreements of the Governmental Agency, if any, may be set forth in Schedule Z attached hereto and incorporated herein by reference, with the same effect as if contained in the text of this Loan Agreement.

7.2 Schedules X and Y shall be attached to this Loan Agreement by the Authority as soon as practicable after the Date of Loan Closing is established and shall be approved by an official action of the Governmental Agency supplementing the Local Act, a certified copy of which official action shall be submitted to the Authority and the Council.

7.3 The Authority shall take all actions required by the Council in making and enforcing this Loan Agreement.

7.4 If any provision of this Loan Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Loan Agreement, and this Loan Agreement shall be construed and enforced as if such invalid or unenforceable provision had not been contained herein.

7.5 This Loan Agreement may be executed in one or more counterparts, any of which shall be regarded for all purposes as an original and all of which constitute but one and the same instrument. Each party agrees that it will execute any and all documents or other instruments and take such other actions as may be necessary to give effect to the terms of this Loan Agreement.

7.6 No waiver by either party of any term or condition of this Loan Agreement shall be deemed or construed as a waiver of any other terms or conditions, nor shall a waiver of any breach be deemed to constitute a waiver of any subsequent breach, whether of the same or of a different section, subsection, paragraph, clause, phrase or other provision of this Loan Agreement.

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

7.8 The Authority acknowledges that certain terms and requirements in this Loan Agreement may not be applicable when the Project is financed in part by the West Virginia Department of Environmental Protection, Office of Abandoned Mine Lands and under that circumstance those terms and requirements are specifically waived or modified as agreed to by the Authority and set forth in the Local Act.

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

7.10 This Loan Agreement shall terminate upon the earlier of:

- (i) the end of ninety (90) days after the date of execution hereof by the Authority or such later date as is agreed to in writing by the Council if the Governmental Agency has failed to deliver the Local Bonds to the Authority;
- (ii) termination by the Authority and the Council pursuant to Section 6.1 hereof; or
- (iii) payment in full of the principal of and interest on the Loan and of any fees and charges owed by the Governmental Agency to the Authority, acting on behalf of the Council.

IN WITNESS WHEREOF, the parties hereto have caused this Loan Agreement to be executed by their respective duly authorized officers as of the date executed below by the Authority.

TOWN OF WAR

(SEAL)

By: Thomas C. Hatcher

Its: Mayor

Date: June 26, 2008

Attest:

Peggy Deel
Its: Recorder

WEST VIRGINIA WATER
DEVELOPMENT AUTHORITY

(SEAL)

By: [Signature]

Its: Executive Director

Date: June 26, 2008

Attest:

Barbara B Meadows
Its: Secretary-Treasurer

{C1365931.1}

EXHIBIT A

FORM OF CERTIFICATE OF CONSULTING ENGINEER

(Issuer)

(Name of Bonds)

I, _____, Registered Professional Engineer, West Virginia License No. _____, of _____, Consulting Engineers, _____, _____ hereby certify as follows:

1. My firm is engineer for the acquisition and construction of _____ to the _____ system (the "Project") of _____ (the "Issuer"), to be constructed primarily in _____ County, West Virginia, which acquisition and construction are being permanently financed in part by the above-captioned bonds (the "Bonds") of the Issuer. Capitalized words not defined herein shall have the same meanings set forth in the bond _____ adopted or enacted by the Issuer on _____, and the Loan Agreement by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), dated _____.

2. The Bonds are being issued for the purposes of (i) _____, and (ii) paying certain issuance and other costs in connection therewith.

3. To the best of my knowledge, information and belief, (i) within the limits and in accordance with the applicable and governing contractual requirements relating to the Project, the Project will be constructed in general accordance with the approved plans, specifications and designs prepared by my firm and approved by [DEP/BPH/PSC] and any change orders approved by the Issuer, the Council and all necessary governmental bodies; (ii) the Project, as designed, is adequate for its intended purpose and has a useful life of at least ___ years if properly operated and maintained, excepting anticipated replacements due to normal wear and tear; (iii) the Issuer has received bids for the acquisition and construction of the Project which are in an amount and otherwise compatible with the plan of financing set forth in the Schedule B attached hereto as Exhibit A and my firm¹ has ascertained that all

¹If another responsible party, such as the Issuer's attorney, reviews the insurance and payment bonds, then insert the following: [and in reliance upon the opinion of _____,

successful bidders 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 for accuracy; (iv) the successful bidders received any and all addenda to the original bid documents; (v) the bid documents relating to the Project reflect the Project as approved by the [DEP/BPH/PSC] and the bid forms provided to the bidders contain all critical operational components of the Project; (vi) the successful bids include prices for every item on such bid forms; (vii) the uniform bid procedures were followed; (viii) the Issuer has obtained all permits required by the laws of the State of West Virginia and the United States necessary for the acquisition and construction of the Project and operation of the System; (ix) as of the effective date thereof, ²the rates and charges for the System as adopted by the Issuer will be sufficient to comply with the provisions of the Loan Agreement; (x) the net proceeds of the Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants, if any, irrevocably committed therefor, are sufficient to pay the costs of acquisition and construction of the Project set forth in the Schedule B attached hereto and approved by the Council; and (xi) attached hereto as Exhibit A is the final amended "Schedule B - Final Total Cost of Project, Sources of Funds and Costs of Financing" for the Project.

WITNESS my signature and seal on this ____ day of _____, ____.

[SEAL]

By: _____
West Virginia License No. _____

Esq.] and delete "my firm has ascertained that".

²If the Rule 42 Exhibit and/or rate structure was prepared by an accountant, then insert the following: "In reliance upon the certificate of _____ of even date herewith," at the beginning of (ix).

EXHIBIT B

OPINION OF BOND COUNSEL FOR GOVERNMENTAL AGENCY

[To Be Dated as of Date of Loan Closing]

West Virginia Infrastructure and
Jobs Development Council
300 Summers Street, Suite 980
Charleston, West Virginia 25301

West Virginia Water Development Authority
180 Association Drive
Charleston, West Virginia 25311

Ladies and Gentlemen:

We are bond counsel to _____ (the
“Governmental Agency”), a _____.

We have examined a certified copy of proceedings and other papers relating to the authorization of (i) a loan agreement dated _____, _____, including all schedules and exhibits attached thereto (the “Loan Agreement”), between the Governmental Agency and the West Virginia Water Development Authority (the “Authority”), on behalf of the West Virginia Infrastructure and Jobs Development Council (the “Council”), and (ii) the issue of a series of revenue bonds of the Governmental Agency, dated _____, (the “Local Bonds”), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bonds are issued in the principal amount of \$_____, in the form of one bond, registered as to principal and interest to the Authority, with interest and principal payable quarterly on March 1, June 1, September 1 and December 1 of each year, beginning _____, 1, _____, and ending _____, 1, _____, as set forth in the “Schedule Y” attached to the Loan Agreement and incorporated in and made a part of the Local Bonds.

The Local Bonds are issued for the purposes of (i) _____, and
(ii) paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of _____ of the Code of West Virginia, 1931, as amended (the “Local Statute”), and the bond _____ duly adopted or enacted by the Governmental Agency on _____, as supplemented by the supplemental resolution duly adopted by the Governmental Agency on _____ (collectively, the “Local Act”), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued, and the Loan Agreement has been undertaken. The Local Bonds are subject to redemption prior

to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

Based upon the foregoing and upon our examination of such other documents as we have deemed necessary, we are of the opinion as follows:

1. The Loan Agreement has been duly authorized by and executed on behalf of the Governmental Agency and is a valid and binding special obligation of the Governmental Agency, enforceable in accordance with the terms thereof.

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

3. The Governmental Agency is a duly organized and validly existing _____, with full power and authority to acquire and construct the Project, to operate and maintain the System, to adopt or enact the Local Act and to issue and sell the Local Bonds, all under the Local Statute and other applicable provisions of law.

4. The Local Act and all other necessary orders and resolutions have been legally and effectively adopted or enacted by the Governmental Agency and constitute valid and binding obligations of the Governmental Agency, enforceable against the Governmental Agency in accordance with their terms. The Local Act contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

5. The Local Bonds have been duly authorized, issued, executed and delivered by the Governmental Agency to the Authority and are valid, legally enforceable and binding special obligations of the Governmental Agency, payable from the net or gross revenues of the System set forth in the Local Act and secured by a first lien on and pledge of the net or gross revenues of the System, all in accordance with the terms of the Local Bonds and the Local Act.

6. The Local Bonds are, by statute, exempt _____, and under existing statutes and court decisions of the United States of America, as presently written and applied, the interest on the Local Bonds is excludable from the gross income of the recipients thereof for federal income tax purposes.

No opinion is given herein as to the effect upon enforceability of the Local Bonds of bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights or in the exercise of judicial discretion in appropriate cases.

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

Very truly yours,

EXHIBIT C

MONTHLY FINANCIAL REPORT

Name of Governmental Agency _____
 Name of Bond Issue(s) _____
 Type of Project _____ Water _____ Wastewater _____
 Fiscal Year _____ Report Month _____

<u>Item</u>	<u>Current Month</u>	<u>Total Year To Date</u>	<u>Budget Year To Date</u>	<u>Budget Year To Date Minus Total Year To Date</u>
1. Gross Revenues	_____	_____	_____	_____
2. Operating Expenses	_____	_____	_____	_____
3. Bond Payments:				
<u>Type of Issue</u>				
Clean Water SRF	_____	_____	_____	_____
Drinking Water TRF	_____	_____	_____	_____
Infrastructure Fund	_____	_____	_____	_____
Water Development Authority	_____	_____	_____	_____
Rural Utilities Service	_____	_____	_____	_____
Economic Development Administration	_____	_____	_____	_____
Other (Identify)	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
4. Renewal and Replacement Fund Deposits	_____	_____	_____	_____

 Name of Person Completing Form

 Address

 Telephone

INSTRUCTIONS FOR COMPLETING MONTHLY FINANCIAL REPORT

- Item 1 You will need a copy of the current fiscal year budget adopted by the Governmental Agency to complete Items 1 and 2. In Item 1, provide the amount of actual **Gross Revenues** for the current month and the total amount year-to-date in the respective columns. Divide the budgeted annual Gross Revenues by 12. For example, if Gross Revenues of \$1,200 are anticipated to be received for the year, each month the base would be increased by \$100 ($\$1,200/12$). This is the incremental amount for the Budget Year-to-Date column.
- Item 2 Provide the amount of actual **Operating Expenses** for the current month and the total amount year-to-date in the respective columns. Any administrative fee should be included in the Operating Expenses. Divide the budgeted annual Operating Expenses by 12. For example, if Operating Expenses of \$900 are anticipated to be incurred for the year, each month the base would be increased by \$75 ($\$900/12$). This is the incremental amount for the Budget Year-to-Date column.
- Item 3 Provide the **Bond Payments (principal, interest and reserve account)** for all the outstanding bonds of the Governmental Agency according to the source of funding. For example, Clean Water State Revolving Fund loan from Department of Environmental Protection, Drinking Water Treatment Revolving Fund loan from Bureau for Public Health, Infrastructure Fund loan from Infrastructure and Jobs Development Council, or a loan from the Water Development Authority, etc.
- Item 4 Provide the amount deposited into the **Renewal and Replacement Fund** each month. This amount is equal to 2.5% of Gross Revenues minus the total reserve account payments included in Item 3. If Gross Revenues are \$1,200, then \$30 (2.5% of \$1,200), LESS the amount of all reserve account payments in Item 3 should be deposited into the Renewal and Replacement Fund. The money in the Renewal and Replacement Fund should be kept separate and apart from all other funds of the Governmental Agency.

The Governmental Agency must complete the Monthly Financial Report and forward it to the Water Development Authority by the 10th day of each month, commencing on the date contracts are executed for the acquisition or construction of the Project and for two years following the completion of acquisition or construction of the Project.

EXHIBIT D

MONTHLY PAYMENT FORM

West Virginia Water Development Authority
180 Association Drive
Charleston, WV 25311

Re: [Name of bond issue]

Ladies and Gentlemen:

The following deposits were made to the West Virginia Municipal Bond Commission on behalf of [Name of Governmental Agency] on [Date].

Sinking Fund:

Interest	\$
Principal	\$
Total:	\$
Reserve Account:	\$

Witness my signature this ____ day of _____.

[Name of Governmental Agency]

By: _____
Authorized Officer

Enclosure: copy of check(s)

SCHEDULE X

DESCRIPTION OF LOCAL BONDS

Principal Amount of Local Bonds \$215,300
Purchase Price of Local Bonds \$215,300

The Local Bonds shall bear no interest. Commencing December 1, 2008, principal on the Local Bonds is payable quarterly. Quarterly payments will be made on March 1, June 1, September 1 and December 1 of each year as set forth on the Schedule Y attached hereto and incorporated herein by reference.

The Governmental Agency shall submit its payments monthly to the Commission which will make quarterly payments to the Authority at such address as is given to the Commission in writing by the Authority.

The Local Bonds are fully registered in the name of the Authority as to interest, if any, and principal and the Local Bonds shall grant the Authority a first lien on the gross or net revenues of the Governmental Agency's system as provided in the Local Act.

The Governmental Agency may prepay the Local Bonds in full at any time at the price of par but only with the Council's written consent. The Governmental Agency shall request approval from the Authority and Council in writing of any proposed debt which will be issued by the Governmental Agency on a parity with the Local Bonds which request must be filed at least 60 days prior to the intended date of issuance.

As of the date of the Loan Agreement, the Local Bonds are on a parity as to liens, pledge and source of and security for payment with the following obligations of the Governmental Agency: None.

SCHEDULE Y

\$215,300

Town of War

0% Interest Rate; 40 Years

Closing Date: June 26, 2008

Debt Service Schedule

Part 1 of 4

Date	Principal	Coupon	Total P+I
09/01/2008	-	-	-
12/01/2008	1,355.00	-	1,355.00
03/01/2009	1,355.00	-	1,355.00
06/01/2009	1,355.00	-	1,355.00
09/01/2009	1,355.00	-	1,355.00
12/01/2009	1,355.00	-	1,355.00
03/01/2010	1,355.00	-	1,355.00
06/01/2010	1,355.00	-	1,355.00
09/01/2010	1,355.00	-	1,355.00
12/01/2010	1,355.00	-	1,355.00
03/01/2011	1,355.00	-	1,355.00
06/01/2011	1,355.00	-	1,355.00
09/01/2011	1,355.00	-	1,355.00
12/01/2011	1,355.00	-	1,355.00
03/01/2012	1,355.00	-	1,355.00
06/01/2012	1,354.00	-	1,354.00
09/01/2012	1,354.00	-	1,354.00
12/01/2012	1,354.00	-	1,354.00
03/01/2013	1,354.00	-	1,354.00
06/01/2013	1,354.00	-	1,354.00
09/01/2013	1,354.00	-	1,354.00
12/01/2013	1,354.00	-	1,354.00
03/01/2014	1,354.00	-	1,354.00
06/01/2014	1,354.00	-	1,354.00
09/01/2014	1,354.00	-	1,354.00
12/01/2014	1,354.00	-	1,354.00
03/01/2015	1,354.00	-	1,354.00
06/01/2015	1,354.00	-	1,354.00
09/01/2015	1,354.00	-	1,354.00
12/01/2015	1,354.00	-	1,354.00
03/01/2016	1,354.00	-	1,354.00
06/01/2016	1,354.00	-	1,354.00
09/01/2016	1,354.00	-	1,354.00
12/01/2016	1,354.00	-	1,354.00
03/01/2017	1,354.00	-	1,354.00
06/01/2017	1,354.00	-	1,354.00
09/01/2017	1,354.00	-	1,354.00
12/01/2017	1,354.00	-	1,354.00
03/01/2018	1,354.00	-	1,354.00
06/01/2018	1,354.00	-	1,354.00
09/01/2018	1,354.00	-	1,354.00
12/01/2018	1,354.00	-	1,354.00
03/01/2019	1,354.00	-	1,354.00
06/01/2019	1,354.00	-	1,354.00

SCHEDULE Y

\$215,300

Town of War

0% Interest Rate; 40 Years

Closing Date: June 26, 2008

Debt Service Schedule

Part 2 of 4

Date	Principal	Coupon	Total P+I
09/01/2019	1,354.00	-	1,354.00
12/01/2019	1,354.00	-	1,354.00
03/01/2020	1,354.00	-	1,354.00
06/01/2020	1,354.00	-	1,354.00
09/01/2020	1,354.00	-	1,354.00
12/01/2020	1,354.00	-	1,354.00
03/01/2021	1,354.00	-	1,354.00
06/01/2021	1,354.00	-	1,354.00
09/01/2021	1,354.00	-	1,354.00
12/01/2021	1,354.00	-	1,354.00
03/01/2022	1,354.00	-	1,354.00
06/01/2022	1,354.00	-	1,354.00
09/01/2022	1,354.00	-	1,354.00
12/01/2022	1,354.00	-	1,354.00
03/01/2023	1,354.00	-	1,354.00
06/01/2023	1,354.00	-	1,354.00
09/01/2023	1,354.00	-	1,354.00
12/01/2023	1,354.00	-	1,354.00
03/01/2024	1,354.00	-	1,354.00
06/01/2024	1,354.00	-	1,354.00
09/01/2024	1,354.00	-	1,354.00
12/01/2024	1,354.00	-	1,354.00
03/01/2025	1,354.00	-	1,354.00
06/01/2025	1,354.00	-	1,354.00
09/01/2025	1,354.00	-	1,354.00
12/01/2025	1,354.00	-	1,354.00
03/01/2026	1,354.00	-	1,354.00
06/01/2026	1,354.00	-	1,354.00
09/01/2026	1,354.00	-	1,354.00
12/01/2026	1,354.00	-	1,354.00
03/01/2027	1,354.00	-	1,354.00
06/01/2027	1,354.00	-	1,354.00
09/01/2027	1,354.00	-	1,354.00
12/01/2027	1,354.00	-	1,354.00
03/01/2028	1,354.00	-	1,354.00
06/01/2028	1,354.00	-	1,354.00
09/01/2028	1,354.00	-	1,354.00
12/01/2028	1,354.00	-	1,354.00
03/01/2029	1,354.00	-	1,354.00
06/01/2029	1,354.00	-	1,354.00
09/01/2029	1,354.00	-	1,354.00
12/01/2029	1,354.00	-	1,354.00
03/01/2030	1,354.00	-	1,354.00
06/01/2030	1,354.00	-	1,354.00

SCHEDULE Y

\$215,300

Town of War

0% Interest Rate; 40 Years

Closing Date: June 26, 2008

Debt Service Schedule

Part 3 of 4

Date	Principal	Coupon	Total P+I
09/01/2030	1,354.00	-	1,354.00
12/01/2030	1,354.00	-	1,354.00
03/01/2031	1,354.00	-	1,354.00
06/01/2031	1,354.00	-	1,354.00
09/01/2031	1,354.00	-	1,354.00
12/01/2031	1,354.00	-	1,354.00
03/01/2032	1,354.00	-	1,354.00
06/01/2032	1,354.00	-	1,354.00
09/01/2032	1,354.00	-	1,354.00
12/01/2032	1,354.00	-	1,354.00
03/01/2033	1,354.00	-	1,354.00
06/01/2033	1,354.00	-	1,354.00
09/01/2033	1,354.00	-	1,354.00
12/01/2033	1,354.00	-	1,354.00
03/01/2034	1,354.00	-	1,354.00
06/01/2034	1,354.00	-	1,354.00
09/01/2034	1,354.00	-	1,354.00
12/01/2034	1,354.00	-	1,354.00
03/01/2035	1,354.00	-	1,354.00
06/01/2035	1,354.00	-	1,354.00
09/01/2035	1,354.00	-	1,354.00
12/01/2035	1,354.00	-	1,354.00
03/01/2036	1,354.00	-	1,354.00
06/01/2036	1,354.00	-	1,354.00
09/01/2036	1,354.00	-	1,354.00
12/01/2036	1,354.00	-	1,354.00
03/01/2037	1,354.00	-	1,354.00
06/01/2037	1,354.00	-	1,354.00
09/01/2037	1,354.00	-	1,354.00
12/01/2037	1,354.00	-	1,354.00
03/01/2038	1,354.00	-	1,354.00
06/01/2038	1,354.00	-	1,354.00
09/01/2038	1,354.00	-	1,354.00
12/01/2038	1,354.00	-	1,354.00
03/01/2039	1,354.00	-	1,354.00
06/01/2039	1,354.00	-	1,354.00
09/01/2039	1,354.00	-	1,354.00
12/01/2039	1,354.00	-	1,354.00
03/01/2040	1,354.00	-	1,354.00
06/01/2040	1,354.00	-	1,354.00
09/01/2040	1,354.00	-	1,354.00
12/01/2040	1,354.00	-	1,354.00
03/01/2041	1,354.00	-	1,354.00
06/01/2041	1,354.00	-	1,354.00

SCHEDULE Y

\$215,300

Town of War

0% Interest Rate; 40 Years

Closing Date: June 26, 2008

Debt Service Schedule

Part 4 of 4

Date	Principal	Coupon	Total P+I
09/01/2041	1,354.00	-	1,354.00
12/01/2041	1,354.00	-	1,354.00
03/01/2042	1,354.00	-	1,354.00
06/01/2042	1,354.00	-	1,354.00
09/01/2042	1,354.00	-	1,354.00
12/01/2042	1,354.00	-	1,354.00
03/01/2043	1,354.00	-	1,354.00
06/01/2043	1,354.00	-	1,354.00
09/01/2043	1,354.00	-	1,354.00
12/01/2043	1,354.00	-	1,354.00
03/01/2044	1,354.00	-	1,354.00
06/01/2044	1,354.00	-	1,354.00
09/01/2044	1,354.00	-	1,354.00
12/01/2044	1,354.00	-	1,354.00
03/01/2045	1,354.00	-	1,354.00
06/01/2045	1,354.00	-	1,354.00
09/01/2045	1,354.00	-	1,354.00
12/01/2045	1,354.00	-	1,354.00
03/01/2046	1,354.00	-	1,354.00
06/01/2046	1,354.00	-	1,354.00
09/01/2046	1,354.00	-	1,354.00
12/01/2046	1,354.00	-	1,354.00
03/01/2047	1,354.00	-	1,354.00
06/01/2047	1,354.00	-	1,354.00
09/01/2047	1,354.00	-	1,354.00
12/01/2047	1,354.00	-	1,354.00
03/01/2048	1,354.00	-	1,354.00
06/01/2048	1,354.00	-	1,354.00
Total	\$215,300.00	-	\$215,300.00

Yield Statistics

Bond Year Dollars	\$4,344.62
Average Life	20.179 Years
Average Coupon	-
Net Interest Cost (NIC)	-
True Interest Cost (TIC)	9.47E-11
Bond Yield for Arbitrage Purposes	9.47E-11
All Inclusive Cost (AIC)	9.47E-11

IRS Form 8038

Net Interest Cost	-
Weighted Average Maturity	20.179 Years

SCHEDULE Z

None.

ENTR

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

OB 03-EE

PAGE

ORIGINAL

Entered: July 1, 2003

CASE NO. 02-1964-W-PC

CITY OF WAR and WAR WATER WORKS
Joint Petition for consent and
approval for the sale and purchase
of water system assets of War Water
Works to the City of War.

FINAL

7-21-03

RECOMMENDED DECISION

On December 10, 2002, the City of War (City) and War Water Works (WWW) jointly petitioned the Commission to approve the City's purchase of the water assets of WWW. The City indicated that it would seek financing to improve the existing system after the acquisition.

On January 9, 2003, the Commission referred the matter. The current decision due deadline is July 8, 2003.

On January 15, 2003, the McDowell County Public Service District (District) petitioned to intervene. The District indicated that it operates numerous water treatment systems in McDowell County, including systems at Berwind and Bartley. The District argues that it would be more efficient in replacing the system than the City.

By Procedural Order issued March 5, 2003, the matter was set for hearing on April 8, 2003. The hearing was held as scheduled. Susan J. Riggs, Esquire, appeared for the City. Thomas N. Hanna, Esquire, appeared on behalf of WWW. William S. Winfrey, II, Esquire, appeared on behalf of the District. Cecelia Gail Jarrell, Esquire, appeared on behalf of Staff. Due to a large number of public witnesses and other witnesses, the hearing could not be concluded on April 8, 2003. By Procedural Order issued April 10, 2003, the matter was set for further hearing on May 21, 2003. The same parties appeared at the second hearing.¹

At the conclusion of the hearing, a briefing schedule was established requiring initial briefs to be filed on or before June 11, 2003, and any reply briefs to be filed on or before June 16, 2003. Ca

¹References to the hearing held on April 18, 2003, will be (Tr.)
References to the May 21, 2003 hearing will be (Tr. II)

June 11, 2003, the City filed its initial brief. On June 23, 2003, the District filed its initial brief. On June 23, 2003, the City moved to strike the late-filed District brief. The City argued that it is unfair to allow the District to file its brief twelve days late. The City points out that the District did not request leave to file its brief late nor did the District seek an extension of time to file its brief. The City argues that it is egregious that the District had the benefit of the City's brief for one week before it filed its own initial brief. The City further points out that the District was represented by an attorney who frequently practices before the Commission and understands the Commission's rules.

The City's motion should be granted and the District's brief should be struck. However, in order to avoid a possible remand to consider the District's brief, the brief has been fully considered. The City's motion has been denied. It did not, however, change the outcome of the proceeding. With or without the late brief filed by the District, the conclusions reached in the proceeding are the same.

On June 24, 2003, Stafford Consultants mailed a copy of certain pages of the Pipeline with a certain portion of an article highlighted and a reference to the pending case number directly to the Administrative Law Judge². The document was treated as a filing in the proceeding. On June 27, 2003, the City moved to strike the filing. The City argued that the mailing was an improper attempt at an ex parte communication. The City noted that it was not served a copy of the document but noticed that the filing was docketed on the Commission's web site. The City argues that the filing was an outrageous effort to influence the proceeding through an unsolicited ex parte communication with the Administrative Law Judge. The City argued that the filing impinged on the integrity of the Commission's proceeding. The City requested that either Stafford Consultants or the District be required to pay the City's legal costs in drafting the motion to strike.

On June 27, 2003, the District moved that Judicial Notice be taken of the Pipeline article.

On July 1, 2003, the District responded to the City's motion to strike. The District's response dealt largely with a letter filed on May 28, 2003, by its own engineer, James R. Bolton, which had complained about certain questions asked to him at the hearing by the Staff Attorney. The District indicated that it was "odd" that it was not

²The Pipeline is a Commission publication designed to assist members of the regulated community. It contains articles and advice provided by Commission Staff as well as Staff members of the W.Va. Bureau for Public Health and the W.Va. Division of Environmental Protection. It is the practice of the Administrative Law Judge to routinely read the Pipeline as it is published. The Administrative Law Judge had, as a matter of routine, already read the Pipeline forwarded to him by Stafford Consultants well before the copy was supplied by Stafford.

informed of Mr. Bolton's letter by someone at the Commission.³ The filing was largely unresponsive to the issues related to the City's motion to strike the Pipeline article.

One could wrongly assume from the arguments above that the Pipeline article would somehow impact the proceeding. There was nothing in the article that in any way changed how the case was viewed. Any information in the article was already generally known by the Administrative Law Judge. What is disturbing is the way the article was presented in an ex parte way by the District through its consulting engineer. The engineer should have known better. If nothing else, the District should have explained to the engineer the basic facts about how formal proceedings at the Commission are conducted and warned about ex parte communications. The City rightfully concluded in its argument that the reason the article was docketed was because the Administrative Law Judge was uncomfortable with the way the information found its way into his office. The City's motion to strike the filing should be granted. The District's motion to take Judicial Notice should be denied. The City's motion for attorney's fees should be denied.

EVIDENCE

There was substantial public comment supporting the City's acquisition of the system.⁴ The public comment supported the City taking over the system in large part because the individuals favored local control of the water system. (Tr. 7-50). They also believed that the City would be able to operate the system at lower rates. (Tr. 7-50). Further, they believed that the District had water quality problems in some of its service areas. (Tr. 7-50).

Thomas Hatcher, Mayor of War, was involved in the negotiations for the contract. (Tr. 52). In December 2002, the City signed an agreement with WWW to purchase the system. (Tr. 52; City Ex. 1). The agreement would have the City acquire two of three systems owned by WWW. (Tr. 54). The City would acquire Yukon No. 1 and the City Realty system. (Tr. 54).

The City would not acquire Yukon No. 2. (Tr. 54). Yukon No. 2 is 2½ miles from the City and the District already has lines going up the main street of the Yukon No. 2 area. (Tr. 55). The City agrees that it is more feasible to allow the District to purchase the Yukon No. 2

³It could be that no one at the Commission informed the District of the letter filed by Mr. Bolton because the letter itself indicated that Mr. Winfrey was served a copy of the letter. It could also be because Mr. Bolton was the District's own witness and it was assumed that the District would be in communication with its own witnesses when it came to filings made in formal proceedings.

⁴See the public comment of Douglas Hawkins, Lloyd Addair, Wesley Miller, Jr., Margaret Justice, Pat Foster, Brenda Asbury, Paul Whitten, Timothy Perkins, Pauline Clark, Rush Foster, Roy Lowery, James Lowery, Louise McGee, Mark James, JoAnn Harmon, Blaine Harmon and Riley Justice. (Tr. 7-50).

system. (Tr. 55). Yukon No. 2 is not physically connected to any of the other WWW systems. (Tr. 55).

The assets that would be purchased include all water mains and the treatment plant. (Tr. 55). There would be a 10-year lease for the supply well. (Tr. 55). The City will pay \$100,000 at closing and the remaining part of the \$252,000 purchase price will be payable in five years at 4.6% interest. (Tr. 57). The City has already received a grant via the legislative budget digest of \$100,000 which can be immediately applied to the purchase of the system. (Tr. 59, 87). The City has put in for another \$100,000 from the budget digest process in order to help pay the remaining balance of \$152,000. (Tr. 89). If necessary, and the political money doesn't happen, then the City will borrow money from the Water Development Board or some other funding organization. (Tr. 90).

The City chose to lease the well because, in the long run, it anticipates developing other sources of water. (Tr. 56). The lease of the well is for five years. (Tr. 59). The lease requires a \$10 per month payment. (Tr. 59). Additionally, the one well is very close to the War Light & Power offices, which makes potential access to the site difficult. (Tr. 56). The lease contains an option to purchase in case the City decides to continue to use the well source on a relatively permanent basis. (Tr. 61). The purchase option is for \$2,000. (Tr. 61).

The City intends to improve the system. (Tr. 58). In the past, the City has put in extensions using its own employees and self-help in the Middletown section of War. (Tr. 58).

WWW initially approached the City regarding a possible takeover, but the City decided it was not interested. (Tr. 60). At that point, WWW negotiated a contract with the District, which expired by its own terms after two years. (Tr. 60). After the District's contract expired, the City approached WWW and negotiated the contract at issue. (Tr. 60, 61).

The City has been preparing for the takeover and one of its employees, Jim Stutso, has taken the Drinking Water Class I exam and passed it. (Tr. 63). He has arranged for a chief operator of the Kimball Water Works to work for the City in operating the water system. (Tr. 63).

The City operates a sewer system which involved an \$8,000,000 project completed in 1999. (Tr. 64). The City has approximately 500 sewer customers and anticipates having about 500 water customers. (Tr. 64). The City's delinquency rate on its sewer system is relatively low. (Tr. 64, 65).

The City admits that the WWW system needs to be replaced. (Tr. 68). It does believe, however, that the life of the system could be extended as long as 20 years if necessary. (Tr. 69). The City's engineers indicated that the system needs several million dollars in improvements which Mr. Hatcher understands is roughly the same advice that the District received from its engineers regarding the same system. (Tr. 69).

The City realizes that one option for a future source of water would be to purchase water from the District. (Tr. 71).

The City anticipates total revenue of \$150,000 from the first year of operating the water system. (Tr. 72). It anticipates total expenditures of \$127,000. (Tr. 72).

From 1990 to 2000, the population of War dropped from 1,000 people to 780. (Tr. 82). The entire population of McDowell County significantly declined in the last 20 years. (Tr. 82). In 1980, there were more than 40,000 people in McDowell County and, currently, there are about 27,000. (Tr. 82). The loss of customers will impact the operations of water utilities. (Tr. 82). A 1995 study done on behalf of the McDowell County Water Resource Committee concluded that the County needed to look at a regional approach to water supply. (Tr. 78, 79).

The City has received \$50,000 in grants in the last two years which would allow it to do some immediate repairs to the system. (Tr. 70). The City intends to almost immediately replace some one-inch lines on the system. (Tr. 70). The one-inch lines at issue are above the Post Office at Warrior Mines, in the Cove area and on Johns Branch. (Tr. 98).

If the City is able to acquire the system, it has no immediate plans to increase rates. (Tr. 103). The City does not know how much its water rate will be after the system is replaced. (Tr. 75). The City admits that rates will eventually have to increase, but will try hard to make the increase as low as possible. (Tr. 103). The City believes it can operate the water system with only two additional employees since it has many other employees capable of doing necessary duties, including billing. (Tr. 106, 107).

David Musser is President of WWW. (Tr. 119). As a result of some complaint cases, WWW was required to clean up certain areas around well sources and increase its line flushing frequency. (Tr. 120, 121). The order also required WWW to flush mains at night and to increase its leak detection. (Tr. 121). It was also ordered to pursue the sale of its facilities. (Tr. 121). WWW was also required in Case No. 01-0169-W-42T to file an application for a certificate of convenience and necessity to connect its system to the District's system to purchase water if it was unable to sell its water facilities by July 1, 2002. (Tr. 124, 125; See Final Order in Case No. 01-0169-W-42T). Mr. Musser indicated that he was unaware of that requirement in the Order. (Tr. 125). No effort has been made to comply with that part of the Order. (Tr. 125). WWW is in violation of at least a portion of the Commission's Order entered April 11, 2001. (Tr. 126). The City Realty well produces water with excessive manganese. (Tr. 128).

The District is interested in acquiring the assets of WWW. (Tr. 130). The District had a contract to purchase the assets which expired in December 2001. (Tr. 131). The District was going to purchase the assets for about \$250,000. (Tr. 131). The District was unable to find funding to conclude the purchase. (Tr. 131). The District has continued to pursue funding for purchasing the assets even after the expiration of its contract. (Tr. 132). The District believes that the Rural Utility Services (RUS) may provide some funding for the purchase of the WWW

assets. (Tr. 132). The District expended \$28,000 for a preliminary engineering report related to the purchase. (Tr. 133).

The District has capacity in either the Bartley or Berwind plant to serve the needs of War. (Tr. 138). It does have plans to serve another 1,000 customers in Jolo, which would be served by the Bartley plant and which means that the War customers would be primarily served by the Berwind plant. (Tr. 138). If the District acquired the WWW assets, it would connect existing facilities at both ends of the City in order to provide an emergency connection in case either its Berwind or Bartley plants ever had to be taken out of service. (Tr. 163, 164).

The Bartley treatment plant, which was put into service in 1999, produces high quality water and has a more than adequate water source. (Tr. 135, 183). The plant provides significant treatment to the water, including removing hydrogen sulfide, manganese, iron and other contaminants. (Tr. 183). The plant meets all the secondary standards for water. (Tr. 184). The District is within a mile or two of War's lines currently. (Tr. 138, 186).

The Berwind plant is essentially the same sort of treatment plant and mine source as the Bartley plant. (Tr. 187). The Berwind plant has a large amount of excess capacity and is only operated five or six hours a day currently. (Tr. 188). The Berwind plant removes excessive iron and manganese from the source water. (Tr. 135). The District has an eight-inch main within a mile and a half to two miles of War coming from its Berwind treatment plant. (Tr. 134). The Berwind treatment plant was put on line in 2001. (Tr. 134).

The District had a treatment plant at Caretta which was removed from service because it had a high sodium content in its finished water. (Tr. 136, 137). Two years ago, the District was able to put the Caretta plant out of service by extending mains from Bartley. (Tr. 137).

The District plans to take the Yukon No. 2 customers from WWW regardless of what happens in this proceeding. (Tr. 139). All the money necessary to do so is already controlled by the District in excess funding from another project. (Tr. 140). The District is currently awaiting RUS approval to expend the excess funds. (Tr. 140). The District does have an agreement to purchase the Yukon No. 2 system from WWW. (Tr. 157, 158). As soon as the District gets authority from RUS to expend the excess funds from the other project, it will submit the agreement to the Commission for approval. (Tr. 158).

The District's current rate for a 4,500-gallon customer is approximately \$42.95. (Tr. 149). The District is increasing its customer base and in March of 2003 billed 2,083 customers. (Tr. 151). That represents an increase of 361 customers over the last 16 months. (Tr. 151). The District anticipates that its next two rate changes will be rate decreases as it continues to expand its customer base through extensions. (Tr. 141). After Phase 1 of its current project, it anticipates its minimum bill for 3,000 gallons of \$29.20 being reduced to \$27.00. (Tr. 141). The Jolo project is completely grant funded with 72% of it being provided by the Abandoned Mine Lands Program. (Tr. 142).

The District has obtained a commitment from the McDowell County National Bank to provide \$100,000 for the initial down payment for the system. (Tr. 145). The commitment from the bank is "pretty loose" and not in writing, but the interest rate would be about 5%. (Tr. 150). It is essentially an open line of credit. (Tr. 150).

The District anticipates spending \$4,720,700 to improve the War system if it acquires it. (Tr. 147). It would construct new distribution facilities. (Tr. 147). The District believes that the existing lines in War are in bad shape and are undersized. (Tr. 147).

The District does not have an agreement between itself and WWW to purchase the Yukon No. 1 or City Realty systems. (Tr. 157). The District's engineers concluded that it would be most beneficial if the District owned and operated the WWW assets. (Tr. 159). The District favors a complete replacement of the system, since many of the lines are 90 to 100 years old. (Tr. 161). If the District acquires the WWW assets, it anticipates needing only one additional employee. (Tr. 144).

Robert Stier, a Financial Analyst for Commission Staff, indicated that certain costs of WWW would essentially disappear if it was acquired by the City. (Tr. 198, 199, 200). These costs are those allocated costs from the Charleston Office of WWW and relate to engineering and administrative costs. (Tr. 200).

Mr. Stier also made certain adjustments for the elimination of the Yukon II system, which will be operated by the District and not the City under the proposal. (Tr. 200). Mr. Stier believes that at the current rates, the acquisition for the City will be a money making venture. (Tr. 200). It will be a money making venture only to the point of the first \$50,000 payment due on the acquisition cost. (Tr. 200, 201). Mr. Stier did not consider the second payment of \$100,000 due 36 months from the initiation of the contract. (Tr. 201). Mr. Stier does believe that the Mayor's estimate of making \$22,700 a year from operating the City was not accurate and that the Mayor failed to allocate costs related to the operation of the water system from existing secretaries and billing clerks. (Tr. 201, 202). Staff believes that the proposal is financially viable. (Tr. 202). Staff did not consider any costs associated with the future improvements to the system. (Tr. 202). If the City needs to borrow money to make improvements, its rates would go up. (Tr. 202).

James Randall Bolton is a professional engineer working for the District. (Tr. II 36, 37, 38). Mr. Bolton conducted a feasibility study for the District regarding acquiring the WWW assets. (Tr. II 40, 41). The District currently has a funding pre-application with the RUS for the project. (Tr. II 43). The funding pre-application is being put on hold pending the outcome of the proceeding. (Tr. II 43).

Mr. Bolton has concluded that the alternate with the lowest total present worth project cost is for the District to own, replace and operate the assets of WWW. (Tr. II 49, 50). Mr. Bolton recommended that the District proceed in attempting to acquire and replace the system, including applying for funding. (Tr. II 50, 51). Alternatively, the City could own the system, do a total replacement of the system and buy bulk water from the District. (Tr. II 52). On all of Mr. Bolton's

alternates; it is assumed that the District will own the Yukon No. 2 system. (Tr. II 52).

The District is pursuing a project at Iaeger, which will result in a decrease in the District's unified rates. (Tr. II 57). Another alternate would be for the City to build its own treatment plant, which would significantly increase the cost to the City. (Tr. II 59, 60).

Mr. Bolton admitted that the difference in the cost to the District of owning, replacing and operating the system compared to the City owning the system, but purchasing bulk water from the District, is not large, but is approximately \$450,000. (Tr. II 80, 85).

In 1997, War's medium household income was \$10,382, and McDowell County's was \$13,141. (Tr. II 103, 104). It qualifies for lower interest financing from the RUS, because of its low income. (Tr. II 93). The RUS has additional grant monies as part of the Enterprise Zone and Enterprise Communities Program for which McDowell County would qualify. (Tr. II 94). The fastest that the District could expect to receive funding and approval for a Replacement Project would have construction beginning in about 2007. (Tr. II 97).

Mr. Bolton believes that the District's acquisition of the WWW system would result in countywide rates decreasing. (Tr. II 102). The District does have very high rates when compared to other parts of the State. (Tr. II 103).

In order for the District to serve the Yukon No. 2 customers, it will have to construct additional storage on its system. (Tr. II 106, 107). There are 60 customers on the Yukon 2 system. (Tr. II 106).

The District believes that the viability of the system, in the long term, is more secure with District management especially given the chance of continued population declines. (Tr. II 110).

Jonathan Fowler, an engineer for Commission Staff, concluded that the WWW assets are of advanced age and in a very deteriorated condition. (Tr. II 7, 117). Mr. Fowler made sure that the City understood what it was purchasing. (Tr. II 117). Mr. Fowler would not drink the water. (Tr. II 118). Mr. Fowler believes that the WWW system is suffering from a lack of proper maintenance and a lack of replacement. (Tr. II 7). Mr. Fowler believes that the entire system needs to be replaced and has passed its useful life. (Tr. II 11, 122). There is a tremendous amount of water loss on the system. (Tr. II 11). The treatment plants are in poor condition. (Tr. II 11). It is possible, in replacing treatment capacity, that the proper course of action in the future would be to purchase bulk water. (Tr. II 11, 12). Staff has not made any conclusions of whether the City should build new treatment facilities or become a bulk purchaser from the District. (Tr. II 122).

Mr. Fowler believes that an appropriate analysis of the purchase price from an engineer's perspective would be to use a cash flow analysis, looking at the revenue generated by the system and comparing it to the purchase price. (Tr. II 116). If one uses such an analysis, the

discounted cash flow analysis price falls within a reasonable range, but on the high side. (Tr. II 116).

Staff recommends that the City be allowed to purchase the assets. (Tr. II 118). Although the City is not a water utility, it is already functioning as a sewer utility. (Tr. II 119). Staff indicated that it did not have sufficient information to consider any alternative buyers for the system. (Tr. II 120).

Katy Mallory is the Executive Secretary of the Infrastructure Council. (Tr. II 123). The Infrastructure Council Technical Review Committee deemed the McDowell County Public Service District's proposal for the WWW system to be technically feasible. (Tr. II 124). There are 270 applications on the pending list that are technically feasible that have not yet been funded. (Tr. II 124).

The Infrastructure Council is administering the \$100,000 legislative budget digest provided to the City through the West Virginia EPA. (Tr. II 129). The Infrastructure Council has separate applications developed specifically for budget digest money. (Tr. II 129). The Infrastructure Council has developed a mini-application for budget digest monies. (Tr. II 131). The Special Budget Digest application does not require key financial information or engineering reports. (Tr. II 131, 132). The budget digest monies are not voted upon by the Council and are not included in a technical review process, the funding committee process or the Consolidation Committee process. (Tr. II 133). Typically, there is no Infrastructure Council consideration of budget digest requests. (Tr. II 133). Often, the Infrastructure Council only learns about them because it reads about them in the media. (Tr. II 133). In this particular case, the Infrastructure Council has somewhat more involvement because it is administering the money. (Tr. II 134).

Gary Jarrell works for Commission Staff in the Engineering Division. (Tr. II 14). Mr. Jarrell does a significant portion of the technical reviews of the infrastructure applications on behalf of the Commission. (Tr. II 14). The review is a quick review to see if there are any obvious fatal flaws to the proposed projects. (Tr. II 15). When Mr. Jarrell engages in a technical review of an infrastructure application, he does not do any independent review or analysis but simply reviews the application as submitted. (Tr. II 21, 29). If the projects are not certified by the Technical Review Committee as feasible, then no State funds are committed to the projects. (Tr. II 15, 16). Mr. Jarrell reviewed the District's proposed project involving the WWW assets in October 2002. (Tr. II 16). He found the District's proposal to be technically feasible. (Tr. II 17). The rate proposed in the infrastructure application by the District for a 4,500 gallon customer was \$42.81. (Tr. II 25). At the time, he was not aware of any competing projects. (Tr. II 30).

Matt Stolte is an engineer employed by the City. (Tr. II 143). Mr. Stolte's modeling of the system indicates that the current system has inadequate fire flow. (Tr. II 146). Mr. Stolte agrees that the existing system is in a very poor condition. (Tr. II 146, 147). WWW's current distribution system needs to be replaced. (Tr. II 149). Mr. Stolte considered having the City be the bulk water purchaser. (Tr. II 150,

151). Mr. Stolte felt like he could not make a reasoned decision on buying the bulk water verses producing water because he couldn't find a bulk water rate from the District. (Tr. II 151, 152).

DISCUSSION

The Commission concluded in the spring of 2001, in Case No. 01-0169-W-42T, that it was in the public interest for WWW to sell its system to either the City or the District. In that case and other cases, the Commission has found numerous problems with the WWW system and concluded that the only hope of improving the WWW system is to get it into public control. In Case No. 01-0169-W-42T, the Commission established a deadline of July 1, 2002, for WWW to file with the Commission a contract for the sale of its assets. If WWW was unable to meet the deadline, it was required to file an application for a certificate to connect its system to the District's system in order to purchase bulk water.

WWW did not comply with the deadlines of the Commission's order in Case No. 01-0169-W-42T. It did not file a contract for approval with the Commission until December 10, 2002⁵. It simply did not file for a certificate to connect its system to the District's system.

At one time, WWW had a purchase contract with the District. The District had two years under the terms of the contract to obtain financing. It was unable to obtain the financing.

Now WWW has a contract with the City. The City has obtained a \$100,000 grant to act as a down payment for the WWW system. It has arranged to pay the remaining \$152,000 over five years at 4.6% interest. The City has received \$50,000 in grants in the last two years which can be used to make some immediate improvements on the system. The City hopes to receive additional grants to pay off the remaining portion of the purchase price, but is willing to borrow the money if necessary.

The District now claims to have a verbal commitment from the McDowell County National Bank to provide \$100,000 for the down payment. The District admits that the terms are "pretty loose" and not committed to writing. The District has also filed a funding pre-application with RUS which is currently on hold.

Whether the City or the District owns the WWW system, all parties agree that it eventually requires replacement. Both the City and District had independent engineers who determined that replacement of the distribution system is necessary and indicated that it would cost roughly the same to replace the system regardless of which party owned the system.

⁵The contract deals with two of the three WWW systems, the City Realty system and the Yukon No. 1 system. The Yukon No. 2 system is not at issue in this proceeding although the evidence indicates that all parties agree that it will soon be purchased by the District without opposition. The delay in submitting a contract for the sale of the Yukon No. 2 system places WWW farther and farther out of compliance with the Commission order.

The City and Staff have not taken a position on whether the WWW system's treatment capacity should be replaced or whether the system should be served as a bulk water customer of the District. It is apparent that the District has excess capacity and it is able and willing to provide quality water for the system whether or not it owns the distribution plant.

The District argues that it would be the superior entity to own the WWW system. It points out that it has a larger customer base. It points out that its proposal has already been deemed technically feasible by the infrastructure council. It points out that it already has capacity to provide treated water. It argues that it would be in a better position to obtain financing for the eventual replacement of the distribution system. It argues that the public interest favors larger more regional utilities.

The problem is that the District still has not obtained credible financing to purchase the system. It had two years, while it had a contract with WWW, and was unable to come up with any financing. Now that the City has the contract, the District still has nothing in writing it can show to the Commission.

The public interest requires that the WWW assets be placed into public control as soon as possible. The District had its chance and failed to come through. The City appears ready to proceed. It should be allowed to proceed.

Even the District's own estimates are that there is not much of a financial difference between the City owning the WWW system and purchasing bulk water from the District and the District both owning and operating the system.⁶ The City is already successfully operating a sewer utility. It has shown a record of being quite successful in obtaining grant funds.⁷ The terms and conditions of the purchase contract appear to be reasonable and give no party an undue advantage. The public interest is definitely advanced in getting the WWW assets into public hands. Finally, Staff recommends that the Commission approve the contract.

⁶There were questions raised about some of the underlying assumptions found in the District's cost analysis. It is quite possible that the differential between the District's Alternate 1 and Alternate 1A in present worth is less than projected by the District or even non-existent. In any event it was not a major difference and the District still does not have credible financing to purchase the WWW system.

⁷The City and the public commentators were concerned with the District's relatively high rates. The record shows that the per-capita income in War is substantially lower than that of McDowell County as a whole. Perhaps the City should be allowed to see if it can operate the system with lower rates than the District.

FINDINGS OF FACT

1. There was substantial public comment supporting the City taking over the WWW assets. (Tr. 7-50).

2. In December 2002, the City entered into an agreement with WWW to acquire WWW's Yukon No. 1 and City Realty systems. (Tr. 52, 54; City Ex. 1).

3. The remaining portion of the WWW system, the Yukon No. 2 system, is to be taken over by the District. (Tr. 54, 55).

4. The agreement at issue would have the City take over WWW's distribution lines and treatment plant for the two systems. (Tr. 55; City Ex. 1).

5. The City would have a 10-year lease on the supply well with an option to purchase. (Tr. 55; City Ex. 1).

6. Under the agreement, the City will pay WWW \$252,000 with \$100,000 paid at closing and the rest to be paid over five years at 4.6% interest. (Tr. 57; City Ex. 1).

7. Staff concluded that the purchase price was within a reasonable range and recommended approving the petition. (Tr. II 116, 118).

8. The City obtained a budget digest grant in the amount of \$100,000 to pay for the down payment. (Tr. 59, 87).

9. The City hopes to obtain more grant money from the legislature to pay for the remaining part of the purchase price, but is willing to borrow the money if necessary. (Tr. 89, 90).

10. Prior to the City having a contract to purchase WWW's system, the District had such a contract, but it failed because the District could not come up with financing over the two-year life of the contract. (Tr. 60, 61).

11. The City has arranged for one of its employees to take the Drinking Water Class I exam in preparation for acquiring the WWW system. (Tr. 63).

12. The City already operates a sewer utility with about 500 customers. (Tr. 64).

13. The WWW system is in poor condition and needs replacement or substantial improvements. (Tr. 68, 69, 161; Tr. II 7, 11, 117, 118, 146, 147).

14. If it is allowed to acquire the system, the City intends to improve the system. (Tr. 58).

15. The City has not determined whether it would eventually seek to replace the treatment facilities or connect to the District and become a bulk water purchaser. (Tr. 71; Tr. II 151, 152). Staff has also not yet

determined whether a future project should replace the treatment plant or depend upon the District's plants. (Tr. II 11, 12).

16. The City anticipates total revenue from the first year of operating the system of \$150,000 and total expenses of \$127,000. (Tr. 72). Staff concurs that the proposal is financially feasible for the City and believes that it is a money making proposition for the City, at least until its first payment for the purchase is due. (Tr. 200, 201, 202). Staff believed that the City overestimated the amount of profit. (Tr. 201, 202).

17. The City has obtained \$50,000 in grants in the last two years which it plans to use immediately upon acquiring the system to replace certain one-inch lines which are causing problems on the system. (Tr. 70, 98).

18. WWW was ordered by the Commission to pursue the sale of its facilities to either the City or the District. (Tr. 121).

19. The District has been interested in purchasing the assets and has been constantly seeking funding so that it could do so. (Tr. 130, 131, 132).

20. Both the City and the District have expended funds on preliminary engineering reports on the system. (Tr. 133).

21. The District has two plants within a short distance of the WWW system which are capable of providing high quality water to the WWW system and, if it purchases the WWW assets, the District plans to connect on both ends to have a more secure system. (Tr. 134, 135, 136, 138, 163, 164, 183, 184, 185, 186, 187, 188).

22. The District has a "pretty loose" unwritten commitment from the McDowell County Bank in the form of an open line of credit which it could use as a down payment for the WWW assets. (Tr. 145, 150).

23. The District has a funding pre-application pending with RUS which is currently on hold pending the outcome of this proceeding. (Tr. II 43).

24. The District's current rates for a 4,500 gallon customer is about \$42.95, but it anticipates the rate dropping as the District continues to complete additional new projects. (Tr. 149; Tr. II 57, 102).

25. In 1997, the medium household income in the City of War was \$10,382 and in McDowell County was \$13,141. (Tr. II 103, 104).

26. The District does not currently have a contract to purchase the Yukon No. 1 or City Realty systems. (Tr. 157).

28. The District's engineer believes that the lowest cost alternative is for the District to both own and operate the WWW system. (Tr. II 49, 50, 80, 85). The second lowest cost alternative would be for the City to own the WWW system, but buy its bulk water from the District. (Tr. II 52). The difference between the two alternatives in terms of

costs, as estimated by the District's engineer, is about \$450,000. (Tr. II 80, 85).

CONCLUSIONS OF LAW

1. The City's motion to strike the District's brief should be denied.

2. The City's motion to strike the District's filing of June 24, 2003, should be granted. The District's motion to take Judicial Notice of the same information should be denied. The City's motion for attorney fees for drafting the motion to strike should be denied.

3. The joint petition filed by the City and WWW for the Commission's consent and approval for the sale and purchase of the WWW utility assets used to provide water service in and around the City of War should be granted.

ORDER

IT IS, THEREFORE, ORDERED that joint petition filed on December 10, 2002, by the City of War and War Water Works seeking Commission approval for the sale and purchase of the water system assets of War Water Works to the City of War be, and hereby is, granted.

IT IS FURTHER ORDERED that the City of War's motion to strike the late filed brief of the McDowell County Public Service District be, and hereby is, denied.

IT IS FURTHER ORDERED that the City of War's motion to strike the filing made on June 24, 2003, by Stafford Consultants be, and hereby is granted. The request for attorney's fees in responding to the filing is denied.

IT IS FURTHER ORDERED that the McDowell County Public Service District's motion to take Judicial Notice of the The Pipeline article is denied.

The Executive Secretary is hereby ordered to serve a copy of this order upon the Commission by hand delivery, and upon all parties of record by United States Certified Mail, return receipt requested.

Leave is hereby granted to the parties to file written exceptions supported by a brief with the Executive Secretary within fifteen (15) days of the date this order is mailed. If exceptions are filed, the parties filing exceptions shall certify to the Executive Secretary that all parties of record have been served the exceptions.

If no exceptions are so filed this order shall become the order of the Commission, without further action or order, five (5) days following the expiration of the fifteen (15) day time period, unless it is ordered stayed by the Commission.

Any party may request waiver of the right to file exceptions to an Administrative Law Judge's Order by filing an appropriate petition in writing with the 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 Order or Decision the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.

K.A. George

Keith George
Administrative Law Judge

KAG:mal:jas
021964ab.wpd

West Virginia Infrastructure & Jobs Development Council

Public Members:
Kenneth Lowe, Jr.
Shepherdstown
Dwight Calhoun
Petersburg
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Jefferson E. Brady, PE
Executive Director

Jefferson.Brady@verizon.net

January 11, 2008

The Honorable Thomas Hatcher
Mayor, City of War
P.O. Box 280
War, West Virginia 24892

Re: City of War
Water Project 2007W-1000

Dear Mayor Hatcher:

The West Virginia Infrastructure and Jobs Development Council (the "Infrastructure Council") provides this binding offer of an Infrastructure Fund loan (0%, 40 years) of approximately \$215,300 (the "Loan") to the City of War (the "City") for above referenced water project (the "Project"). The Loan will be subject to the terms set forth on Schedule A attached hereto and incorporated herein by reference. The Infrastructure Council will set aside a portion of the Infrastructure Fund to make the Loan upon the City's compliance with the program requirements.

The Infrastructure Council reserves the right to withdraw this Loan commitment if any program requirements are not met.

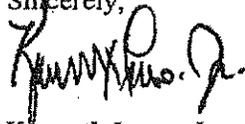
If the City becomes aware that it will not meet one or more of the program requirements, the City should immediately notify the Infrastructure Council of this fact and the circumstances which have caused or will cause the City to be unable to meet the schedule.

The Water Development Authority (the "Authority"), on behalf of the Infrastructure Council, will enter into Loan agreements with the City following receipt of the completed Schedule B, a final, nonappealable order from the Public Service Commission authorizing the acquisition and financing of the Project, evidence of binding commitments for other funding; evidence of all permits; and any other documents requested by the Infrastructure Council.

No statements or representations made before or after the issuance of this contingent commitment by any person or member of the Infrastructure Council or Authority shall be construed as approval to alter or amend this commitment, as all such amendments or alterations shall only be made in writing after approval of the Infrastructure Council.

If the City has any questions regarding this commitment, please contact Jeff Brady at the above-referenced telephone number.

Sincerely,



Kenneth Lowe, Jr.

Attachments

cc: Bob DeCrease, BPH
David Warner, WV EDA
Region I Planning & Development Council
Olver Incorporated

NOTE: This letter is sent in triplicate. Please acknowledge receipt and immediately return two copies to the Infrastructure Council.

City of War

By: _____

Its: _____

Date: _____

WEST VIRGINIA INFRASTRUCTURE & JOBS DEVELOPMENT COUNCIL

City of War
Water Project 2007W-1000
January 11, 2008

SCHEDULE A

A.	Approximate Amount: \$ 215,300	Loan
B.	Loan:	\$ 215,300
1.	Maturity Date:	40 years from date of closing.
2.	Interest Rate:	0%
3.	Loan Advancement Date(s)	At Closing
4.	Debt Service Commencement:	The first quarter following closing.
5.	Special Conditions:	None
C.	Other Funding Sources: WV EDA Grant	<u>\$100,000</u>
D.	Total Project Cost:	\$315,300

TOWN OF WAR

Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

CROSS-RECEIPT FOR BONDS AND BOND PROCEEDS

On this 26th day of June, 2008, the undersigned authorized representative of the West Virginia Water Development Authority (the "Authority"), for and on behalf of the Authority, and the undersigned Mayor of the Town of War (the "Issuer"), for and on behalf of the Issuer, hereby certify as follows:

1. On the date hereof, the Authority received the Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), of the Issuer, in the principal amount of \$215,300, numbered AR-1, issued as a single, fully registered Bond, and dated June 26, 2008 (the "Series 2008 A Bonds").
2. At the time of such receipt, the Series 2008 A Bonds had been executed by the Mayor and the Recorder of the Issuer by their respective manual signatures, and the official seal of the Issuer had been affixed upon the Bonds.
3. The Issuer has received and hereby acknowledges receipt from the Authority, as the original purchaser of the Series 2008 A Bonds, of the sum of \$215,300, being the entire principal amount of the Series 2008 A Bonds.

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Dated as of the day and year first above written.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

Barbara B Meadows
Authorized Representative

TOWN OF WAR

Thomas C. Hatcher
Mayor

TOWN OF WAR

Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

DIRECTION TO AUTHENTICATE AND DELIVER BONDS

The Huntington National Bank
as Bond Registrar
Charleston, West Virginia

Ladies and Gentlemen:

On this 26th day of June, 2008, there are delivered to you herewith:

(1) Bond No. AR-1, constituting the entire original issue of the Town of War Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), in the principal amount of \$215,300, dated June 26, 2008 (the "Bonds"), executed by the Mayor and the Recorder of the Town of War (the "Issuer") and bearing the official seal of the Issuer, authorized to be issued under and pursuant to a Bond Ordinance duly enacted by the Issuer on January 16, 2008, and a Supplemental Resolution duly adopted by the Issuer on June 18, 2008 (collectively, the "Bond Legislation");

(2) A copy of the Bond Legislation authorizing the above-described Bonds, duly certified by the Recorder of the Issuer;

(3) Executed counterparts of the loan agreement for the Series 2008 A Bonds, dated June 26, 2008 (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"); and

(4) An executed opinion of nationally recognized bond counsel regarding the validity of the Loan Agreement and the Bonds.

You are hereby requested and authorized to deliver the Bonds to the Authority upon payment to the Issuer of the sum of \$215,300, representing the entire principal amount of the Bonds. Prior to such delivery of the Bonds, you will please cause the Bonds to be authenticated and registered by an authorized officer, as Bond Registrar, in accordance with the form of Certificate of Authentication and Registration thereon.

Dated as of the day and year first above written.

TOWN OF WAR

Thomas C. Hatcher

Mayor

939100.00002

CH4903259.1

SPECIMEN

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF WAR
WATER REVENUE BONDS, SERIES 2008 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-1

\$215,300

KNOW ALL MEN BY THESE PRESENTS: The 26th day of June, 2008 that the TOWN OF WAR, a municipal corporation and political subdivision of the State of West Virginia in McDowell County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns the sum of TWO HUNDRED FIFTEEN THOUSAND THREE HUNDRED DOLLARS (\$215,300), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 2008, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

This bond shall not bear interest. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the ACouncil), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council, dated June 26, 2008.

This Bond is issued (i) to pay a portion of the costs of the acquisition of the War Water Works (the "Project"); (ii) fund the Series 2008 A Bonds Reserve Account; and (iii) to pay certain costs of issuance of the Bonds and related costs. The Project, and any further additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 31, Article 15A and Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (collectively, the "Act"), a Bond Ordinance duly enacted by the Issuer on January 16, 2008, and a Supplemental Resolution duly adopted by the Issuer on June 18, 2008 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THE ISSUER HAS NO BONDS OR OBLIGATIONS OTHER THAN THIS BOND WHICH IS SECURED BY GROSS REVENUES OF THE SYSTEM.

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the operation of the System and from monies in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 2008 A Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Gross 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 Gross Revenues, the monies in the Series 2008 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds; provided however, that so long as there exists in the Series 2008 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist,

have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Gross 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 on this Bond.

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

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IN WITNESS WHEREOF, the TOWN OF WAR 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 the day and year first written above.

[SEAL]

Thomas W. Hatcher

Mayor

ATTEST

Regina Deel

Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2008 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: June 26, 2008.

THE HUNTINGTON NATIONAL BANK,
as Registrar


Authorized Officer

SPECIMEN

EXHIBIT A

RECORD OF ADVANCES

<u>AMOUNT</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>DATE</u>
(1) \$215,300	June 26, 2008	(19)	
(2)		(20)	
(3)		(21)	
(4)		(22)	
(5)		(23)	
(6)		(24)	
(7)		(25)	
(8)		(26)	
(9)		(27)	
(10)		(28)	
(11)		(29)	
(12)		(30)	
(13)		(31)	
(14)		(32)	
(15)		(33)	
(16)		(34)	
(17)		(35)	
(18)		(36)	

TOTAL \$ _____

EXHIBIT B
DEBT SERVICE SCHEDULE

\$215,300

Town of War (West Virginia)

0% Interest Rate; 40 Years

Closing Date: June 26, 2008

Debt Service Schedule

Part 1 of 4

Date	Principal	Coupon	Total P+I
09/01/2008	-	-	-
12/01/2008	1,355.00	-	1,355.00
03/01/2009	1,355.00	-	1,355.00
06/01/2009	1,355.00	-	1,355.00
09/01/2009	1,355.00	-	1,355.00
12/01/2009	1,355.00	-	1,355.00
03/01/2010	1,355.00	-	1,355.00
06/01/2010	1,355.00	-	1,355.00
09/01/2010	1,355.00	-	1,355.00
12/01/2010	1,355.00	-	1,355.00
03/01/2011	1,355.00	-	1,355.00
06/01/2011	1,355.00	-	1,355.00
09/01/2011	1,355.00	-	1,355.00
12/01/2011	1,355.00	-	1,355.00
03/01/2012	1,355.00	-	1,355.00
06/01/2012	1,354.00	-	1,354.00
09/01/2012	1,354.00	-	1,354.00
12/01/2012	1,354.00	-	1,354.00
03/01/2013	1,354.00	-	1,354.00
06/01/2013	1,354.00	-	1,354.00
09/01/2013	1,354.00	-	1,354.00
12/01/2013	1,354.00	-	1,354.00
03/01/2014	1,354.00	-	1,354.00
06/01/2014	1,354.00	-	1,354.00
09/01/2014	1,354.00	-	1,354.00
12/01/2014	1,354.00	-	1,354.00
03/01/2015	1,354.00	-	1,354.00
06/01/2015	1,354.00	-	1,354.00
09/01/2015	1,354.00	-	1,354.00
12/01/2015	1,354.00	-	1,354.00
03/01/2016	1,354.00	-	1,354.00
06/01/2016	1,354.00	-	1,354.00
09/01/2016	1,354.00	-	1,354.00
12/01/2016	1,354.00	-	1,354.00
03/01/2017	1,354.00	-	1,354.00
06/01/2017	1,354.00	-	1,354.00
09/01/2017	1,354.00	-	1,354.00
12/01/2017	1,354.00	-	1,354.00
03/01/2018	1,354.00	-	1,354.00
06/01/2018	1,354.00	-	1,354.00
09/01/2018	1,354.00	-	1,354.00
12/01/2018	1,354.00	-	1,354.00
03/01/2019	1,354.00	-	1,354.00
06/01/2019	1,354.00	-	1,354.00

\$215,300

Town of War (West Virginia)

0% Interest Rate; 40 Years

Closing Date: June 26, 2008

Debt Service Schedule

Part 2 of 4

Date	Principal	Coupon	Total P+I
09/01/2019	1,354.00	-	1,354.00
12/01/2019	1,354.00	-	1,354.00
03/01/2020	1,354.00	-	1,354.00
06/01/2020	1,354.00	-	1,354.00
09/01/2020	1,354.00	-	1,354.00
12/01/2020	1,354.00	-	1,354.00
03/01/2021	1,354.00	-	1,354.00
06/01/2021	1,354.00	-	1,354.00
09/01/2021	1,354.00	-	1,354.00
12/01/2021	1,354.00	-	1,354.00
03/01/2022	1,354.00	-	1,354.00
06/01/2022	1,354.00	-	1,354.00
09/01/2022	1,354.00	-	1,354.00
12/01/2022	1,354.00	-	1,354.00
03/01/2023	1,354.00	-	1,354.00
06/01/2023	1,354.00	-	1,354.00
09/01/2023	1,354.00	-	1,354.00
12/01/2023	1,354.00	-	1,354.00
03/01/2024	1,354.00	-	1,354.00
06/01/2024	1,354.00	-	1,354.00
09/01/2024	1,354.00	-	1,354.00
12/01/2024	1,354.00	-	1,354.00
03/01/2025	1,354.00	-	1,354.00
06/01/2025	1,354.00	-	1,354.00
09/01/2025	1,354.00	-	1,354.00
12/01/2025	1,354.00	-	1,354.00
03/01/2026	1,354.00	-	1,354.00
06/01/2026	1,354.00	-	1,354.00
09/01/2026	1,354.00	-	1,354.00
12/01/2026	1,354.00	-	1,354.00
03/01/2027	1,354.00	-	1,354.00
06/01/2027	1,354.00	-	1,354.00
09/01/2027	1,354.00	-	1,354.00
12/01/2027	1,354.00	-	1,354.00
03/01/2028	1,354.00	-	1,354.00
06/01/2028	1,354.00	-	1,354.00
09/01/2028	1,354.00	-	1,354.00
12/01/2028	1,354.00	-	1,354.00
03/01/2029	1,354.00	-	1,354.00
06/01/2029	1,354.00	-	1,354.00
09/01/2029	1,354.00	-	1,354.00
12/01/2029	1,354.00	-	1,354.00
03/01/2030	1,354.00	-	1,354.00
06/01/2030	1,354.00	-	1,354.00

\$215,300

Town of War (West Virginia)

0% Interest Rate; 40 Years

Closing Date: June 26, 2008

Debt Service Schedule

Part 3 of 4

Date	Principal	Coupon	Total P+I
09/01/2030	1,354.00	-	1,354.00
12/01/2030	1,354.00	-	1,354.00
03/01/2031	1,354.00	-	1,354.00
06/01/2031	1,354.00	-	1,354.00
09/01/2031	1,354.00	-	1,354.00
12/01/2031	1,354.00	-	1,354.00
03/01/2032	1,354.00	-	1,354.00
06/01/2032	1,354.00	-	1,354.00
09/01/2032	1,354.00	-	1,354.00
12/01/2032	1,354.00	-	1,354.00
03/01/2033	1,354.00	-	1,354.00
06/01/2033	1,354.00	-	1,354.00
09/01/2033	1,354.00	-	1,354.00
12/01/2033	1,354.00	-	1,354.00
03/01/2034	1,354.00	-	1,354.00
06/01/2034	1,354.00	-	1,354.00
09/01/2034	1,354.00	-	1,354.00
12/01/2034	1,354.00	-	1,354.00
03/01/2035	1,354.00	-	1,354.00
06/01/2035	1,354.00	-	1,354.00
09/01/2035	1,354.00	-	1,354.00
12/01/2035	1,354.00	-	1,354.00
03/01/2036	1,354.00	-	1,354.00
06/01/2036	1,354.00	-	1,354.00
09/01/2036	1,354.00	-	1,354.00
12/01/2036	1,354.00	-	1,354.00
03/01/2037	1,354.00	-	1,354.00
06/01/2037	1,354.00	-	1,354.00
09/01/2037	1,354.00	-	1,354.00
12/01/2037	1,354.00	-	1,354.00
03/01/2038	1,354.00	-	1,354.00
06/01/2038	1,354.00	-	1,354.00
09/01/2038	1,354.00	-	1,354.00
12/01/2038	1,354.00	-	1,354.00
03/01/2039	1,354.00	-	1,354.00
06/01/2039	1,354.00	-	1,354.00
09/01/2039	1,354.00	-	1,354.00
12/01/2039	1,354.00	-	1,354.00
03/01/2040	1,354.00	-	1,354.00
06/01/2040	1,354.00	-	1,354.00
09/01/2040	1,354.00	-	1,354.00
12/01/2040	1,354.00	-	1,354.00
03/01/2041	1,354.00	-	1,354.00
06/01/2041	1,354.00	-	1,354.00

\$215,300

Town of War (West Virginia)
0% Interest Rate; 40 Years
Closing Date: June 26, 2008

Debt Service Schedule

Part 4 of 4

Date	Principal	Coupon	Total P+I
09/01/2041	1,354.00	-	1,354.00
12/01/2041	1,354.00	-	1,354.00
03/01/2042	1,354.00	-	1,354.00
06/01/2042	1,354.00	-	1,354.00
09/01/2042	1,354.00	-	1,354.00
12/01/2042	1,354.00	-	1,354.00
03/01/2043	1,354.00	-	1,354.00
06/01/2043	1,354.00	-	1,354.00
09/01/2043	1,354.00	-	1,354.00
12/01/2043	1,354.00	-	1,354.00
03/01/2044	1,354.00	-	1,354.00
06/01/2044	1,354.00	-	1,354.00
09/01/2044	1,354.00	-	1,354.00
12/01/2044	1,354.00	-	1,354.00
03/01/2045	1,354.00	-	1,354.00
06/01/2045	1,354.00	-	1,354.00
09/01/2045	1,354.00	-	1,354.00
12/01/2045	1,354.00	-	1,354.00
03/01/2046	1,354.00	-	1,354.00
06/01/2046	1,354.00	-	1,354.00
09/01/2046	1,354.00	-	1,354.00
12/01/2046	1,354.00	-	1,354.00
03/01/2047	1,354.00	-	1,354.00
06/01/2047	1,354.00	-	1,354.00
09/01/2047	1,354.00	-	1,354.00
12/01/2047	1,354.00	-	1,354.00
03/01/2048	1,354.00	-	1,354.00
06/01/2048	1,354.00	-	1,354.00
Total	\$215,300.00	-	\$215,300.00

Yield Statistics

Bond Year Dollars	\$4,344.62
Average Life	20.179 Years
Average Coupon	-
Net Interest Cost (NIC)	-
True Interest Cost (TIC)	9.47E-11
Bond Yield for Arbitrage Purposes	9.47E-11
All Inclusive Cost (AIC)	9.47E-11

IRS Form 8038

Net Interest Cost	-
Weighted Average Maturity	20.179 Years

(Form of)

ASSIGNMENT

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

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

Dated: _____, _____.

In the presence of:

June 26, 2008

Town of War
Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

Town of War
War, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Infrastructure and Jobs Development Council
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by the Town of War (the "Issuer"), a municipal corporation and political subdivision organized and existing under the laws of the State of West Virginia, of its \$215,300 Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), dated the date hereof (the "Bonds").

We have examined the law and certified copies of proceedings and other papers relating to the authorization of a loan agreement, dated June 26, 2008, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), and the Bonds, which are to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Bonds are originally issued in the form of one Bond, registered as to principal only to the Authority, bearing no interest, and with principal payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing December 1, 2008, to and including June 1, 2048, all as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Bonds.

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 8, Article 19 and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), for the purposes of (i) paying a portion of the costs of the permanent financing of the

acquisition of War Water Works (the "Project"); (ii) funding the Series 2008 A Bonds Reserve Account; and (iii) paying certain costs of issuance and related costs.

We have also examined the applicable provisions of the Act, the Bond Ordinance duly enacted by the Issuer on January 16, 2008, as supplemented by a Supplemental Resolution duly adopted by the Issuer on June 18, 2008 (collectively, the "Bond Legislation"), pursuant to and under which Act and Bond Legislation the Bonds are authorized and issued, and the Loan Agreement has been entered into. The Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Bond Legislation and the Loan Agreement.

All capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Legislation and the Loan Agreement when used herein.

Based upon the foregoing, and upon our examination of such other documents as we have deemed necessary, we are of the opinion, under existing law, as follows:

1. The Issuer is a duly created and validly existing municipal corporation and political subdivision of the State of West Virginia, with full power and authority to acquire the Project, to operate and maintain the System, to enact the Bond Legislation and to issue and sell the Bonds, all under the Act and other applicable provisions of law.
2. The Loan Agreement has been duly authorized by and executed on behalf of the Issuer, is a valid and binding special obligation of the Issuer enforceable in accordance with the terms thereof, and inures to the benefit of the Authority and the Council and cannot be amended by the Issuer so as to affect adversely the rights of the Authority or the Council or diminish the obligations of the Issuer without the written consent of the Authority and the Council.
3. The Bond Legislation and all other necessary ordinances, orders and resolutions have been duly and effectively enacted and adopted by the Issuer in connection with the issuance and sale of the Bonds and constitute valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their terms. The Bond Legislation contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.
4. The Bonds have been duly authorized, issued, executed and delivered by the Issuer to the Authority and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Gross Revenues of the System and secured by a first lien on and pledge of the Gross Revenues all in accordance with the terms of the Bonds and the Bond Legislation.
5. The Bonds have not been issued on the basis that the interest, if any, thereon is or will be excluded from 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 Bonds.

6. The Bonds are, under the Act, exempt from all taxation by the State of West Virginia or any county, municipality, political subdivision or agency thereof, and the interest on the Bonds is exempt from personal and corporate net income taxes imposed directly thereon by the State of West Virginia.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Loan Agreement and the Bond Legislation, and the liens and pledges set forth therein, may be subject to and 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 and the application of equitable remedies in appropriate cases.

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

Very truly yours,



STEPTOE & JOHNSON PLLC



SPILMAN THOMAS & BATTLE, PLLC
ATTORNEYS AT LAW

June 26, 2008

Town of War
Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

Town of War
War, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Infrastructure and Jobs Development Council
Charleston, West Virginia

Ladies and Gentlemen:

We are counsel to the Town of War in McDowell County, West Virginia (the "Issuer"). As such counsel, we have examined copies of the approving opinion of Steptoe & Johnson PLLC, as bond counsel, a loan agreement for the Series 2008 A Bonds, dated June 26, 2008, including all schedules and exhibits attached thereto, by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), a Bond Ordinance duly enacted by the Issuer on January 16, 2008, as supplemented by a Supplemental Resolution duly adopted by the Issuer on June 18, 2008 (collectively, the "Bond Legislation"), and other documents relating to the above-captioned Bonds of the Issuer (the "Bonds"). All capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Bond Legislation and Loan Agreement when used herein.

We are of the opinion that:

1. The Issuer has been duly created and is validly existing as a municipal corporation and political subdivision of the State of West Virginia, and the Mayor, Town Clerk and members of the council of the Issuer have been duly and properly elected or appointed, as applicable, have taken the requisite oaths, and are authorized to act on behalf of the Issuer in their respective capacities.

2. The Loan Agreement has been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the other parties thereto, constitute valid and binding agreements of the Issuer enforceable in accordance with its terms.

Town of War, et al.
Page 2

3. The Bond Legislation has been duly adopted and enacted by the Issuer and is in full force and effect.

4. To the best of our knowledge, the execution and delivery of the Bonds, the Loan Agreement, and the consummation of the transactions contemplated by the Bonds, the Loan Agreement and the Bond Legislation and the carrying out of the terms thereof, do not and will not, in any material respect, conflict with or constitute, on the part of the Issuer, a breach of or default under any ordinance, order, resolution, agreement or other instrument to which the Issuer is a party or by which the Issuer or its properties are bound or any existing law, regulation, court order or consent decree to which the Issuer is subject.

5. In reliance upon the Certificate of Engineer, the Issuer has received all permits, licenses, approvals, consents, exemptions, orders, certificates and authorizations necessary for the acquisition of the Project and the operation of the System.

6. The Issuer has received all requisite orders and approvals from the West Virginia Infrastructure & Jobs Development Council and the Public Service Commission of West Virginia, and has taken any actions required for the imposition of rates and charges for the use of the System, including the Recommended Decision entered on July 1, 2003, in Case No. 02-1964-W-PC which became a Final Order on July 21, 2003, granting to the Issuer approval for the Project. The time for appeal of such Final Order has expired prior to the date hereof without any appeal. Such order remains in full force and effect.

7. To the best of our knowledge, there is no litigation, action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Loan Agreement, the Bond Legislation, the acquisition of the Project, the operation of the System, the validity of the Bonds or the collection or pledge of the Gross Revenues therefor.

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

Very truly yours,



SPILMAN THOMAS & BATTLE, PLLC

KENDRICK KING
ATTORNEY AT LAW
(304) 436-4582

Office:
788 Virginia Ave. (NAPA Building)
Welch, WV 24801

Mailing Address
PO Box 428
Welch, WV 24801

June 26, 2008

West Virginia Infrastructure and Jobs Development Council
Charleston, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

Re: Town of War
Final Opinion

Dear Ladies & Gentlemen:

This firm represents the Town of War (the "Town") with regard to a proposed project to permanently finance the aquisition of the War Water Works (the "Project"), and provides this final title opinion on behalf of the Town to satisfy the requirements of the West Virginia Infrastructure and Jobs Development Council (the "Council") with regard to the Infrastructure Fund financing proposed for the Project. Please be advised of the following:

1. That I am of the opinion that the Town is a duly created and existing municipal corporation possessed with all the powers and authority granted to municipal corporations under the laws of the State of West Virginia and has the full power and authority to construct, operate and maintain the Project as approved by the Bureau for Public Health.
2. That the Town has obtained approval for all necessary permits and approvals for the Project.
3. That I have investigated and ascertained the location of and am familiar with the legal description of the necessary sites, including easements and/or rights of way, required for the Project as set forth in the proposal for the Project.
4. That I have examined the records on file in the Office of the Clerk of the County Commission of McDowell County, West Virginia, the County in which the Project is to be located, and, subject to the correctness of the indices and recordings in said office, in my opinion, the Town has acquired legal title or such other estate or interest in the necessary site components for the Project sufficient to assure undisturbed use and possession for the purpose of construction, operations and maintenance for the estimated life of the facilities to be constructed.

5. That all deeds or other documents which have been acquired to date by the Town have been duly recorded in the aforesaid Clerk's Office in order to protect the legal title and interest of the Town.

Very truly yours,


Kendrick King

CC: Mailed and Faxed to: John Stump, Esquire
Steptoe & Johnson
Attorneys at Law
PO Box 1588
Charleston, WV 25326-1588
Fax (304) 353-8181

Thomas Hatcher, Mayor
Town of War
PO Box 280
War, WV 24892

TOWN OF WAR

Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

GENERAL CERTIFICATE OF ISSUER AND ATTORNEY ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS AND BIDDING
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. CERTIFICATION OF COPIES OF DOCUMENTS
6. INCUMBENCY AND OFFICIAL NAME
7. LAND AND RIGHTS-OF-WAY
8. MEETINGS, ETC.
9. CONTRACTORS' INSURANCE, ETC.
10. LOAN AGREEMENT
11. RATES
12. SIGNATURES AND DELIVERY
13. BOND PROCEEDS; OTHER FUNDS
14. PUBLICATION AND PUBLIC HEARING ON BOND
ORDINANCE
15. PUBLIC SERVICE COMMISSION ORDERS
16. SPECIMEN BOND
17. CONFLICT OF INTEREST
18. PROCUREMENT OF ENGINEERING SERVICES
19. EXECUTION OF COUNTERPARTS

We, the undersigned MAYOR and RECORDER of the Town of War in McDowell County, West Virginia (the "Issuer"), and the undersigned COUNSEL to the ISSUER, hereby certify on this the 26th day of June, 2008, in connection with the Issuer's Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), dated the date hereof (the "Bonds" or the "Series 2008 A Bonds"), as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined herein shall have the same meaning as set forth in the Bond Ordinance

of the Issuer duly enacted January 16, 2008, and the Supplemental Resolution duly adopted June 18, 2008 (collectively, the "Bond Legislation").

2. NO LITIGATION: No controversy or litigation of any nature is now pending or threatened, restraining, enjoining or affecting in any manner the issuance, sale or delivery of the Bonds, the acquisition of the Project, the operation of the System, the receipt of any grants, or in any way contesting or affecting the validity of the Bonds, or any proceedings of the Issuer taken with respect to the issuance or sale of the Bonds, the pledge or application of the Net Revenues or any other moneys or security provided for the payment of the Bonds or the existence or the powers of the Issuer insofar as they relate to the authorization, sale and issuance of the Bonds, the acquisition of the Project, the operation of the System, the collection of the Gross Revenues or the pledge of Gross Revenues as security for the Bonds.

3. GOVERNMENTAL APPROVALS AND BIDDING: All applicable approvals, permits, exemptions, consents, authorizations, registrations and certificates required by law for the acquisition of the Project, the operation of the System, the imposition of rates and charges, and the issuance of the Bonds have been duly and timely obtained and remain in full force and effect.

4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the Issuer since the approval, execution and delivery by the Issuer of the Loan Agreement. The Issuer has met all conditions prescribed in the Loan Agreement. The Issuer has or can provide the financial, institutional, legal and managerial capabilities necessary to complete the Project.

Upon issuance of the Series 2008 A Bonds, the Issuer will have no other outstanding debt secured by gross revenues of the System.

5. 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:

Bond Ordinance

Supplemental Resolution

Loan Agreement

Public Service Commission Orders

Infrastructure and Jobs Development Council Approval

Charter and Rules of Procedure

Oaths of Office of Officers and Councilmembers

Water Rate Ordinance

Affidavit of Publication of Water Rate Ordinance and Notice of Public Hearing

Minutes on Adoption and Enactment of Water Rate Ordinance

Affidavit of Publication of Abstract of Bond Ordinance and Notice of Public Hearing

Minutes on Adoption and Enactment of Bond Ordinance and Adoption of Supplemental Resolution and First Draw Resolution

Evidence of Insurance

6. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Issuer is the "Town of War." The Issuer is a municipal corporation in McDowell County and is presently existing under the laws of, and a political subdivision of, the State of West Virginia. The governing body of the Issuer is its council, consisting of a Mayor, a Recorder and 5 council members, all duly elected or appointed, as applicable, qualified and acting, and whose names and dates of commencement and termination of current terms of office are as follows:

<u>Name</u>		<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
Thomas C. Hatcher	Mayor	July 1, 2005	June 30, 2009
Peggy Deel	Recorder	July 1, 2005	June 30, 2009
Margaret Beavers	Councilperson	July 1, 2005	June 30, 2009
Manuel Collins	Councilperson	July 1, 2005	June 30, 2009
Mark James	Councilperson	July 1, 2005	June 30, 2009
Wesley Miller, Jr.	Councilperson	July 1, 2005	June 30, 2009
Frank Smith	Councilperson	July 1, 2005	June 30, 2009

The duly appointed and acting Counsel to the Issuer is Spilman, Thomas & Battle, PLLC in Charleston, West Virginia.

7. LAND AND RIGHTS-OF-WAY: All land in fee simple and all rights-of-way and easements necessary for the acquisition of the Project and the operation and maintenance of the System have been acquired 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, 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 Bonds.

8. MEETINGS, ETC.: All actions, ordinances, resolutions, orders and agreements taken by and entered into by or on behalf of the Issuer in any way connected with the issuance of the Bonds and the acquisition and financing of the Project or the operation of the System were authorized or adopted at regular or special meetings of the Governing Body of the Issuer duly and regularly called and held pursuant to the Rules of Procedure of the Governing Body and all applicable statutes, including, particularly and without limitation, Chapter 6, Article 9A of the West Virginia Code of 1931, as amended, and a quorum of duly elected or appointed, as applicable, qualified and acting members of the Governing Body was present and acting at all times during all such meetings. All notices required to be posted and/or published were so posted and/or published.

9. RESERVED.

10. LOAN AGREEMENT: As of the date hereof, (i) the representations of the Issuer contained in the Loan Agreement are true and correct in all material respects as if made on the date hereof; (ii) the Loan Agreement does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (iii) to the best knowledge of the undersigned, no event affecting the Issuer has occurred since the dates of the Loan Agreement which should be disclosed for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information in the Loan Agreement not misleading; and (iv) the Issuer is in compliance with the Loan Agreement.

11. RATES: The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreement.

12. SIGNATURES AND DELIVERY: On the date hereof, the undersigned

Mayor did officially sign all of the Bonds of the aforesaid issue, consisting upon original issuance of a single Bond numbered AR-1, dated the date hereof, by his or her manual signature, and the undersigned Recorder did officially cause the official seal of the Issuer to be affixed upon said Bonds and to be attested by his or her manual signature, and the Registrar did officially authenticate, register and deliver the Bonds to a representative of the Authority as the original purchaser of the Bonds under the Loan Agreement. Said official seal of the Issuer is also impressed above the signatures appearing on this certificate.

13. BOND PROCEEDS; OTHER FUNDS: On the date hereof, the Issuer received the sum of \$215,300 from the Authority and the Council, being the entire principal amount of the Bonds.

14. PUBLICATION AND PUBLIC HEARING ON BOND ORDINANCE: Upon adoption of the Bond Ordinance, an abstract thereof, determined by the Governing Body to contain sufficient information as to give notice of the contents thereof, was published once each week for 2 successive weeks, with not less than 6 full days between each publication, the first such publication occurring not less than 10 days before the date stated below for the public hearing, in *Welch Daily News*, a qualified newspaper of general circulation in the Town of War, there being no newspaper published therein, together with a notice to all persons concerned, stating that the Bond Ordinance had been adopted and that the Issuer contemplated the issuance of the Bonds described in such Bond Ordinance, stating that any person interested may appear before the Governing Body at the public hearing held at a public meeting of Governing Body on the 16th day of January, 2008, at 6:00 pm, at the Town Hall, War, West Virginia, and present protests, and stating that a certified copy of the Bond Ordinance was on file at the office of the Recorder of the Issuer for review by interested parties during the office hours of the Issuer. At such hearing all objections and suggestions were heard by the Governing Body and the Bond Ordinance became finally adopted, enacted and effective as of the date of such public hearing, and remains in full force and effect.

15. PUBLIC SERVICE COMMISSION ORDERS: The Issuer has received a Recommended Decision of the Public Service Commission of West Virginia entered on July 1, 2003 which became Final Order on July 21, 2003 in Case No.02-1964-W-PC, approving the Project. The time for appeal of the Final Order has expired prior to the date hereof without any appeal having been filed and is in full force and effect.

16. SPECIMEN BOND: Delivered concurrently herewith is a true and accurate specimen of the Bond.

17. CONFLICT OF INTEREST: No member, 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 in the sale of any land, materials, supplies or services to the Issuer or to any contractor supplying the Issuer, relating to the Bonds, the

Bond Legislation 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. PROCUREMENT OF ENGINEERING SERVICES: The Issuer has complied in all respects with the requirements of Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended, in the procurement of engineering services to be paid from proceeds of the Bonds.

19. EXECUTION OF COUNTERPARTS: This document may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same document.

[Remainder of Page Intentionally Blank]

WITNESS our signatures and the official seal of the TOWN OF WAR on the day and year first above written.

[CORPORATE SEAL]

SIGNATURE

OFFICIAL TITLE

Thomas C. Hatcher

Mayor

Peggy Deel

Recorder

Counsel to the Issuer

WITNESS our signatures and the official seal of the TOWN OF WAR on the day and year first above written.

[CORPORATE SEAL]

SIGNATURE

OFFICIAL TITLE

Mayor

Recorder

Spilman Thomas & Battle PLLC

Counsel to the Issuer

TOWN OF WAR

Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

CERTIFICATE OF ENGINEER

I, Douglas Hudgins, P.E., Registered Professional Engineer, West Virginia License No. 017250, of Olver, Incorporated, Blacksburg, Virginia, hereby certifies this 26th day of June, 2008:

1. My firm is engineer for the design of extensions and improvements to a public waterworks system (the acquisition of War Water Works is herein referred to as the "Project") of the Town of War (the "Issuer") located in McDowell County, West Virginia, which acquisition is being permanently financed in part by the proceeds of the above-captioned bonds (the "Bonds") of the Issuer. Capitalized terms used herein and not defined herein shall have the same meanings set forth in the Bond Ordinance adopted by the Issuer on January 16, 2008, the Supplemental Resolution adopted by the Issuer on June 18, 2008, and the Loan Agreement dated June 26, 2008 (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council").

2. The Bonds are being issued for the purposes of (i) permanently financing a portion of the costs of the Project; (ii) funding the Series 2008 A Bonds Reserve Account; and (iii) paying costs of issuance and related costs.

3. To the best of my knowledge, information and belief (i) the Project will be completed as described in the application submitted to the Authority and the Council, requesting the Authority to purchase the Bonds (the "Application"), (ii) the Project is adequate for the intended purpose and will have a useful life of at least forty years if properly operated and maintained excepting anticipated replacements due to normal wear and tear, (iii) the undersigned will assist the Issuer in obtaining all permits required by the laws of the State of West Virginia and the United States necessary for the Project and the operation of the System, (iv) in reliance upon the certificate of the Issuer's certified public accountant, Jeffrey Feamster, CPA, as of the effective date

6/18/2008

**SCHEDULE B
TOWN OF WAR
AQUISITION OF WAR WATER WORKS**

A. COST OF PROJECT	TOTAL	WVEDA grant	WVIJDC Loan
1 a. Acquisition	252,130.65	100,000.00	152,130.65
b. Acquisition Interest	34,266.92		34,266.92
2 Technical Services	0.00		0.00
3 Legal	980.50		980.50
4 Accounting	2,500.00		2,500.00
5 Administrative	7,423.04		7,423.04
a. Publication	78.89		78.89
6 Sites & Other Lands	0.00		0.00
7 TOTAL of Lines 1 through 6	297,380.00	100,000.00	197,380.00
B. COST OF FINANCING			
8 Funded Reserve	5,420.00		5,420.00
9 Registrar	500.00		500.00
10 Bond Counsel	12,000.00		12,000.00
11 Cost of Issuance (lines 8 through 10)	17,920.00	0.00	17,920.00
12 TOTAL PROJECT COST line 7 plus line 11	315,300.00	100,000.00	215,300.00
C. SOURCES OF OTHER FUNDS			
13 Federal Grants			
14 State Grants	100,000.00	100,000.00	
15 Other Grants			
16 TOTAL GRANTS Lines 13 through 15	100,000.00	100,000.00	0.00
17 Size of Bond Issue (Line 12 minus Line 16)	215,300.00	0.00	215,300.00

Thomas C. Hatcher
Town of War

6-18-08
Date

David B. Hughes
Oliver Inc.

6/19/08
Date

Jeffrey S. Feamster, CPA

Jeffrey S. Feamster
Certified Public Accountant
P.O. Box 982
Lewisburg, West Virginia 24901

Phone: (304) 647-5980
Fax: (801) 640-8611
Cellular: (304) 667-5990
Email: jeff@mcsww.com

June 26, 2008

Town of War
Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

Town of War
War, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Infrastructure and Jobs Development Council
Charleston, West Virginia

Ladies and Gentlemen:

Based upon the rates and charges set forth in Final Order of the Public Service Commission of West Virginia dated July 21, 2003 in Case No. 02-1964-W-PC, the projected operating expenses and the anticipated customer usage as furnished to me by the Issuer, it is my opinion that such rates and charges will be sufficient to provide revenues which, together with other revenues of the waterworks system of the Issuer (the "System"), will provide for all Operating Expenses of the System and leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on the Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund) (the "Bonds"), to be issued in the original aggregate principal amount of \$215,300 to the West Virginia Water Development Authority on the date hereof.

Very truly yours,



Jeffrey S. Feamster, CPA

TOWN OF WAR

Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

CERTIFICATE AS TO USE OF PROCEEDS

The undersigned Mayor and Recorder of the Town of War in McDowell County, West Virginia (the "Issuer"), being the official of the Issuer duly charged with the responsibility for the issuance of \$215,300 Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), of the Issuer, dated June 26, 2008 (the "Bonds" or the "Series 2008 A Bonds"), hereby certifies as follows:

1. I am the officer of the Issuer duly charged with the responsibility of issuing the Bonds. I am familiar with the facts, circumstances and estimates herein certified and duly authorized to execute and deliver this certificate on behalf of the Issuer. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Bond Ordinance duly enacted by the Issuer on January 16, 2008, as supplemented by Supplemental Resolution duly adopted by the Issuer on June 18, 2008 (collectively, the "Bond Ordinance"), authorizing the Bonds.

2. This certificate may be relied upon as the certificate of the Issuer.

3. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on June 26, 2008, the date on which the Bonds are being physically delivered in exchange for an initial advance of the principal amount of the Series 2008 A Bonds, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

4. In the Bond Ordinance pursuant to which the Bonds are issued, the Issuer has covenanted that it shall not take, or permit or suffer to be taken, any action with respect to Issuer's use of the proceeds of the Bonds which would cause any bonds, the interest, if any, on which is exempt from federal income taxation under Section 103(a) of the Internal Revenue Code of 1986, as amended, and the temporary and permanent regulations promulgated thereunder or under any predecessor thereto (collectively, the "Code"), issued by the West Virginia Water Development Authority (the "Authority") or the West Virginia Infrastructure and Jobs Development Council

(the "Council"), as the case may be, from which the proceeds of the Bonds are derived, to lose their status as tax-exempt bonds. The Issuer hereby covenants to take all actions necessary to comply with such covenant.

5. The Series 2008 A Bonds were sold on June 26, 2008, to the Authority, pursuant to a loan agreement dated June 26, 2008, by and between the Issuer and the Authority, on behalf of the Council, for an aggregate purchase price of \$215,300 (100% of par), at which time, the Issuer received \$215,300 from the Authority and the Council, being the entire principal amount of the Series 2008 A Bonds. No accrued interest has been or will be paid on the Series 2008 A Bonds.

6. The Series 2008 A Bonds are being delivered simultaneously with the delivery of this certificate and are issued for the purposes of (i) paying a portion of the costs of acquisition of War Water Works (the "Project"); (ii) funding the Series 2008 A Bonds Reserve Account; and (iii) paying certain costs of issuance of the Bonds and related costs.

7. All of the proceeds from the sale of the Bonds, together with any investment earnings thereon, will be expended for payment of costs of the Project on the date of Closing.

8. The total cost of the Project, a portion of which is financed from the proceeds of the Bonds (including all costs of issuance of the Bonds), is estimated at \$315,300. Sources and uses of funds for the Project are as follows:

SOURCES

Proceeds of the Series 2008 A Bonds	\$215,300
WVEDA grant	\$100,000
Total Sources	<u>\$315,300</u>

USES

Costs of the Project	\$297,380
Series 2008 A Bonds Reserve Account	5,420
Costs of Issuance	12,500
Total Uses	<u>\$315,300</u>

9. Pursuant to Article V of the Bond Ordinance, the following special funds or accounts have been created or continued relative to the Series 2008 A Bonds:

- (1) Revenue Fund;
- (2) Renewal and Replacement Fund;
- (3) Series 2008 A Bonds Project Fund;
- (4) Series 2008 A Bonds Sinking Fund; and
- (5) Series 2008 A Bonds Reserve Account.

10. Pursuant to Article VI of the Bond Ordinance, the proceeds of the Bonds will be deposited as follows:

(1) Series 2008 A Bonds proceeds in the amount of \$5,420 will be deposited in the Series 2008 A Bonds Reserve Account.

(2) The balance of the proceeds of the Series 2008 A Bonds will be deposited in the Series 2008 A Bonds Project Fund and applied solely to payment of costs of the Project, including costs of issuance of the Series 2008 A Bonds and related costs.

11. Monies held in the Series 2008 A Bonds Sinking Fund will be used solely to pay principal of and interest on the Series 2008 A Bonds and will not be available to meet costs of acquisition and construction of the Project. All investment earnings on monies in the Series 2008 A Bonds Sinking Fund and Series 2008 A Bonds Reserve Account will be withdrawn therefrom and deposited into the Series 2008 A Bonds Project Fund during the Project, and following completion of the Project, will be

deposited, not less than once each year, in the Revenue Fund, and such amounts will be applied as set forth in the Bond Ordinance.

12. The Issuer will take such steps as requested by the Authority to ensure that the Authority's bonds meet the requirements of the Code.

13. With the exception of the amount deposited in the Series 2008 A Bonds Reserve Account, if any, all of the proceeds of the Bonds will be expended on the Project on the Closing Date.

14. The Issuer does not expect to sell or otherwise dispose of the Project in whole or in part prior to the last maturity date of the Bonds.

15. The amount designated as costs of issuance of the Bonds consists only of costs which are directly related to and necessary for the issuance of the Bonds.

16. All property financed with the proceeds of the Bonds will be owned and held by (or on behalf of) a qualified governmental unit.

17. No proceeds of the Bonds will be used, directly or indirectly, in any trade or business carried on by any person who is not a governmental unit.

18. The original proceeds of the Bonds will not exceed the amount necessary for the purposes of the issue.

19. The Issuer shall use the Bond proceeds solely for the costs of the Project, and the Project will be operated solely for a public purpose as a local governmental activity of the Issuer.

20. The Bonds are not federally guaranteed.

21. The Issuer has retained the right to amend the Bond Ordinance authorizing the issuance of the Bonds if such amendment is necessary to assure that the Bonds remain governmental bonds.

22. The Issuer has either (a) funded the Series 2008 A Bonds Reserve Account at the maximum amount of principal and interest which will mature and become due on the Bonds in the then current or any succeeding year with the proceeds of the Bonds, or (b) created the Series 2008 A Bonds Reserve Account which will be funded with equal payments made on a monthly basis over a 10-year period until such

Series 2008 A Bonds Reserve Account holds an amount equal to the maximum amount of principal and interest which will mature and become due on the Bonds in the then current or any succeeding year. Monies in the Series 2008 A Bonds Reserve Account and the Series 2008 A Bonds Sinking Fund will be used solely to pay principal of and interest on the Bonds and will not be available to pay costs of the Project.

23. There are no other obligations of the Issuer which (a) are to be issued at substantially the same time as the Bonds, (b) are to be sold pursuant to a common plan of financing together with the Bonds and (c) will be paid out of substantially the same sources of funds or will have substantially the same claim to be paid out of substantially the same sources of funds as the Bonds.

24. To the best of my knowledge, information and belief, there are no other facts, estimates and circumstances which would materially change the expectations herein expressed.

25. The Issuer will comply with instructions as may be provided by the Authority, at any time, regarding use and investment of proceeds of the Bonds, rebates and rebate calculations.

26. To the best of my knowledge, information and belief, the foregoing expectations are reasonable.

[Remainder of Page Intentionally Left Blank]

WITNESS our signatures on the day and year first written above.

TOWN OF WAR

By: Thomas C. Hatcher
Its: Mayor

By: Peggy Wood
Its: Recorder

RESOLUTION ON OPEN GOVERNMENTAL PROCEEDINGS RULES

Pursuant to Chapter 6, Article 9A, Section 3 of the West Virginia Code, the Council of the City of War does hereby adopt the following rules to make available, in advance, the date, time, place and agenda of all regularly scheduled meetings of the Council, and the date, time, place and purpose of all special meetings of the Council to the public and news media (except in the case of an emergency requiring immediate action) as follows:

1. Regular Meetings. A notice shall be posted and maintained by the Recorder at the front door or bulletin board of the City Hall of the date, time and place fixed and entered of record by Council for the holding of regularly scheduled meetings. In addition, a copy of the agenda for each regularly scheduled meeting shall be posted at the same location by the City Recorder not less than three (3) business days before such regular meeting is to be held. The agenda listing the matters requiring official action that may be addressed at the meeting may be amended up to two (2) business days prior to the meeting. If a particular regularly scheduled meeting is canceled or postponed, a notice of such cancellation or postponement shall be posted at the same location as soon as feasible after such cancellation or postponement has been determined.

2. Special Meetings. A notice shall be posted by the City Recorder at the front door or bulletin board of the City Hall not less than two (2) business days before a specially scheduled meeting is to be held, stating the date, time, place and purpose for which such special meeting shall be held. If the special meeting is canceled, a notice of such cancellation shall be posted at the same location as soon as feasible after such cancellation has been determined.

These rules regarding notice of meetings shall replace any and all previous rules heretofore adopted by Council.

Adopted this 18th day of July, 2007.

Thomas C. Hatcher
Mayor

[SEAL]

Peggy Deel
Recorder

this judgment is stayed for a period of sixty days from the rising of this Court, but said stay shall not become effective until the defendant, or some one in its behalf, enter into a stay bond, conditioned according to law, in the penalty of \$6500.00, before the Clerk of this Court, with security to be approved by the said Clerk.

IN RE THE APPLICATION FOR THE INCORPORATION OF THE TOWN OF WAR.

On this, the tenth day of April, 1920, came again the parties, by their attorneys, and the Court proceeding to pass upon the application and motion heretofore made for the incorporation of the territory described in the papers in this case, to be named the town of War, and after considering all the papers and affidavits filed and hearing all the evidence, is of the opinion that satisfactory proof has been made that all the provisions of Chapter 47 of the Code of West Virginia have been fully complied with, it is therefore considered by the Court that the territory embraced and described in the papers and proceedings in this matter be incorporated in the name of the town of War, as applied for, and it is ordered that the Clerk of this Court do issue a certificate of incorporation of such town in form and substance as follows:

"A certificate under oath of A. C. Rose, M. K. Murphy and T. H. Wingo having been filed herein, showing that a majority of all the qualified voters residing in the following boundary, to-wit:-

BEGINNING at a stake in center of the Iaeger and Southern railroad, a branch line of the Norfolk & Western, opposite mile post No. 22, thence N. 38 05 E 792 feet to a black pine stump, a corner to the Pocahontas Domestic Coal Company, thence with the same, S. 75 30 E. 397.8 feet to 2 white oaks and white walnut in line of the Rowland Addition, thence with the same two bearings N 12 48 E 17 feet to a stake, thence S 78 14 E 808 feet to a stake, a corner to the Rowland Addition and land of Pocahontas Domestic Coal Company, thence through said Pocahontas Domestic Coal Company's land, N 52 05 E 2470 feet to a stake in land of Pocahontas New River Consolidated Coal Company, thence S 55 30 E 590 feet to a stake, thence S 66 40 E 945 feet to a stake on John's Branch, thence S 51 12 W 3187 feet, crossing said railroad and passing through mile post No. 23 to a pine below a cliff and above War Ridge Coal Company drift mouth, thence S 79 W. 1458 feet to a stake on a spur above Christian Coal Company drift mouth, thence N 49 22 W 1444 feet to 2 spruce pines on the point of a spur, thence N 33 30 E 654 feet crossing Dry Fork, passing through Mile post No. 22 of the Iaeger and Southern Rail Road Company to the BEGINNING. Area 165.61 acres;

have been given in due form of law in favor of the incorporation of the town of War, in Big Creek District, McDowell County, West Virginia, bounded as herein set forth, and it appearing to the satisfaction of the Court that all the provisions of Chapter 47 of the Code of West Virginia have been complied with by the applicants for said incorporation, the said town is duly authorized, within the corporate limits aforesaid, to exercise all the corporate powers conferred by the said Chapter from and after the date of the said certificate.

W. Burbridge Payne, Clerk".

It is further considered by the Court that M. K. Murphy, A. C. Rose and O. E. Linkous, three legal voters residing within the said incorporated territory be and they are hereby appointed to act as commissioners of election at the first election to be held in the said town of War, as provided for by Section 10 of said chapter 47 of the Code, and in case they shall fail or refuse to act, said election may be held, conducted, certified and returned by any three voters of the said town appointed for that purpose by the voters present.

To the ruling and action of the Court in holding that satisfactory proof has been made that all the provisions of Chapter 47 of the Code of West Virginia have been complied with and in directing the issuance of the certificate of incorporation, as applied for by the applicants, the opponents at the time excepted

A stay of twenty days from the entry of this order to the operation thereof is granted the opponents to give them the opportunity of applying to the Supreme Court of Appeals of West Virginia for a writ of error and supersedeas thereto.

C. E. Lively, plaintiff,
his next friend, John E. Wadsworth,
Vs.---Appeal from a Justice.

American Railway Express Company, defendant.

On this the 10th day of April, 1920, came again the parties by their attorneys to be heard upon the demurrer to the evidence interposed here by the defendant, and the court, after duly considering the same doth find the law upon the said demurrer to be for the plaintiff.

It is, therefore, considered by the court that the plaintiff do recover of and from the defendant the sum of fifty dollars, the amount fixed by the jury in favor of the plaintiff should the law be for the plaintiff, together with his costs by him in that behalf expended, including an attorney's fee of ten dollars.

This order is entered by E. C. Marshall, special Judge, who as such presided at the trial of this case.

D. H. PAYNE, PLAINTIFF AND APPELLEE,

VS.---UPON APPEAL FROM THE JUDGMENT OF A JUSTICE.

STEPHEN KENNEDY, DEFENDANT AND APPELLANT.

This day came Stephen Kennedy defendant in the above styled action, and presented his petition duly verified, in which he prays for an appeal from the judgment of L. H. Payne, one of the justices of this county rendered on the 15th day of January, 1920, in an action then pending before said justice, in which D. H. Payne is plaintiff and Stephen Kennedy was defendant, overruling the motion and application of the defendant to set aside and vacate the award returned by the arbitrators in said cause.

And it appearing to the court from the said petition and exhibits accompanying the same, that the amount in controversy before said justice on the trial of said action exceeds fifteen dollars exclusive of interests and costs, and the said petitioner having delivered a proper bond in the penalty of \$400.00, with F. N. Evans as security, which security the court doth deem good and sufficient and the said petitioner having shown to the court by his own oath, and in addition thereto by said petition good cause for his not having taken an appeal from

LAW ORDERS

McDowell Circuit Court, W. Va., February

Term, 191 1920

31st
32nd

Day

said judgment within ten day from the rendition thereof, and this application for an appeal from said judgment being made within ninety days from its rendition, the court doth hereby grant unto the said petitioner an appeal from the said justice, to review his judgment rendered as aforesaid. And it is hereby ordered by the court, that the said justice, L. H. Payne do cease from all other proceedings in the said cause, and that he do recall all executions and orders that may be outstanding for the enforcement of said judgment, and that he do transmit without delay, to the Clerk of this court, a complete transcript from his docket of the proceedings in said action, together with all the original papers relating thereto.

And it is hereby ordered that the Clerk of this court make off without delay a copy of this order, and deliver the same to the sheriff of this county, to be served upon the said L. H. Payne, the justice before whom said judgment was rendered, and the said Sheriff shall execute the same without unavoidable delay.

IT IS ORDERED THAT COURT BE ADJOURNED UNTIL MONDAY MORNING NINE O'CLOCK.

I. C. Herndon JUDGE.

WEST VIRGINIA:

AT A CIRCUIT COURT CONTINUED AND HELD FOR THE COUNTY OF MCDOWELL AT THE COURT HOUSE OF SAID COUNTY, MONDAY MORNING NINE O'CLOCK, APRIL 12, 1920.

PRESENT: HON. I. C. HERNDON, JUDGE OF SAID COURT.

No law orders this day.

IT IS ORDERED THAT COURT BE ADJOURNED UNTIL THE FIRST DAY OF THE NEXT TERM.

I. C. Herndon JUDGE.

State of West Virginia.

At a Regular Term of the Supreme Court of Appeals, continued and held at Charleston, Kanawha County, on Tuesday, the 10th day of February, 1920, the following order was made and entered, to-wit:

John H. Custard, Trustee, etc., Plaintiff Below, Defendant in Error,

vs.

C. S. McNary et al., Defendants Below, Plaintiffs in Error.

Upon a writ of error and supersedeas to a judgment of the Circuit Court of McDowell County, rendered on the 27th day of June, 1919.

The Court, having maturely considered the transcript of the record of the judg-

CITY OF WAR

MINUTES OF JUNE 30, 2005 COUNCIL MEETING

Present: Tom Hatcher, Peggy Deel, Margaret Beavers, Manuel Collins, Mark James, Wesley Miller, and Frank Smith.

1. Oath of Office for Mayor and Recorder. Tom Hatcher administered the Oath of Office to Recorder Peggy Deel. Peggy Deel, Recorder, administered the Oath of Office to Mayor Tom Hatcher. Both occurred at 11:50 AM.
2. Oath of Office for Council Members. Recorder Peggy Deel administered the Oath of Office to Margaret Beavers, Manuel Collins, Mark James, Wesley Miller, and Frank Smith.

Peggy Deel
Recorder

Thomas C. Hatcher
Mayor

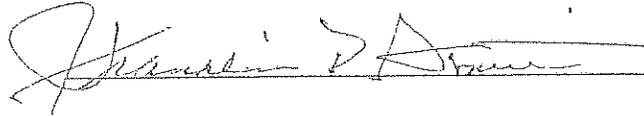
July 19, 2005
Approved by Council

STATE OF WEST VIRGINIA
COUNTY OF MCDOWELL
CITY OF WAR

OATH OF OFFICE

I, Frank Smith, do solemnly swear and affirm that I will support the Constitution of the United States of America, the Constitution of the State of West Virginia, the statutes and laws of the City of War, and I will faithfully discharge the duties of the office of Council Member of the City of War to which I have been duly elected, to the best of my skill and judgement.

Given under my hand this the 30th day of June, 2005.



Frank Smith

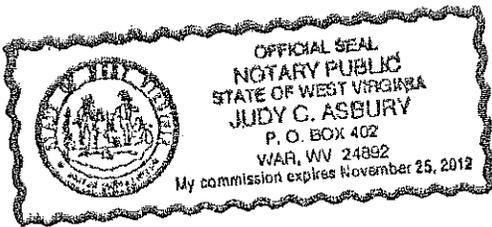
Subscribed and sworn before me this 30th day of June, 2005

My commission expires November 25, 2012.

(SEAL)



Notary Public



STATE OF WEST VIRGINIA
COUNTY OF MCDOWELL
CITY OF WAR

OATH OF OFFICE

I, Mark James, do solemnly swear and affirm that I will support the Constitution of the United States of America, the Constitution of the State of West Virginia, the statutes and laws of the City of War, and I will faithfully discharge the duties of the office of Council Member of the City of War to which I have been duly elected, to the best of my skill and judgement.

Given under my hand this the 30th day of June, 2005.

Mark James

Mark James

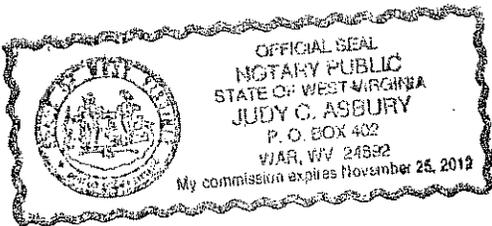
Subscribed and sworn before me this 30th day of June, 2005

My commission expires November 25, 2012.

(SEAL)

Judy C. Asbury

Notary Public

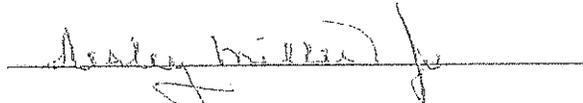


STATE OF WEST VIRGINIA
COUNTY OF MCDOWELL
CITY OF WAR

OATH OF OFFICE

I, Wesley Miller, do solemnly swear and affirm that I will support the Constitution of the United States of America, the Constitution of the State of West Virginia, the statutes and laws of the City of War, and I will faithfully discharge the duties of the office of Council Member of the City of War to which I have been duly elected, to the best of my skill and judgement.

Given under my hand this the 30th day of June, 2005.


Wesley Miller

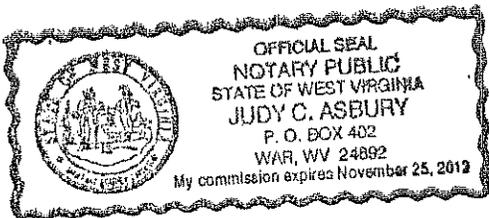
Subscribed and sworn before me this 30th day of June, 2005

My commission expires November 25, 2012.

(SEAL)



Notary Public



STATE OF WEST VIRGINIA
COUNTY OF MCDOWELL
CITY OF WAR

OATH OF OFFICE

I, Manuel Collins, do solemnly swear and affirm that I will support the Constitution of the United States of America, the Constitution of the State of West Virginia, the statutes and laws of the City of War, and I will faithfully discharge the duties of the office of Council Member of the City of War to which I have been duly elected, to the best of my skill and judgement.

Given under my hand this the 30th day of June, 2005.

Manuel Collins

Manuel Collins

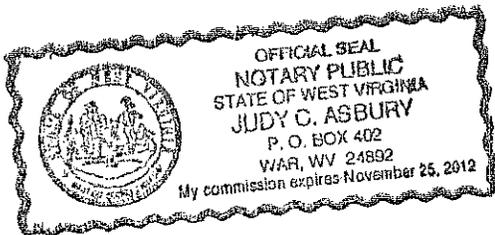
Subscribed and sworn before me this 30th day of June, 2005

My commission expires November 25, 2012.

(SEAL)

Judy C. Asbury

Notary Public



STATE OF WEST VIRGINIA
COUNTY OF MCDOWELL
CITY OF WAR

OATH OF OFFICE

I, Margaret Beavers, do solemnly swear and affirm that I will support the Constitution of the United States of America, the Constitution of the State of West Virginia, the statutes and laws of the City of War, and I will faithfully discharge the duties of the office of Council Member of the City of War to which I have been duly elected, to the best of my skill and judgement.

Given under my hand this the 30th day of June, 2005.

Margaret Beavers

Margaret Beavers

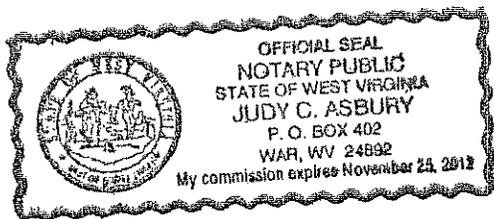
Subscribed and sworn before me this 30th day of June, 2005

My commission expires November 25, 2012.

(SEAL)

Judy C. Ashbury

Notary Public



STATE OF WEST VIRGINIA
COUNTY OF MCDOWELL
CITY OF WAR

OATH OF OFFICE

I, Thomas C. Hatcher, do solemnly swear and affirm that I will support the Constitution of the United States of America, the Constitution of the State of West Virginia, the statutes and laws of the City of War, and I will faithfully discharge the duties of the office of Mayor of the City of War to which I have been duly elected, to the best of my skill and judgement.

Given under my hand this the 30th day of June, 2005.

Thomas C. Hatcher

Thomas C. Hatcher

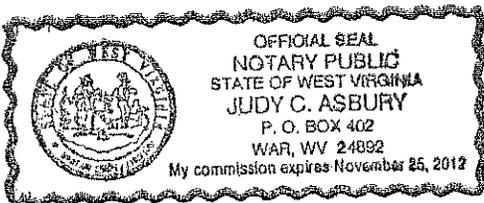
Subscribed and sworn before me this 30th day of June, 2005

My commission expires November 25, 2012.

(SEAL)

Judy C. Asbury

Notary Public



STATE OF WEST VIRGINIA
COUNTY OF MCDOWELL
CITY OF WAR

OATH OF OFFICE

I, Peggy Deel, do solemnly swear and affirm that I will support the Constitution of the United States of America, the Constitution of the State of West Virginia, the statutes and laws of the City of War, and I will faithfully discharge the duties of the office of Recorder of the City of War to which I have been duly elected, to the best of my skill and judgement.

Given under my hand this the 30th day of June, 2005.

Peggy Deel

Peggy Deel

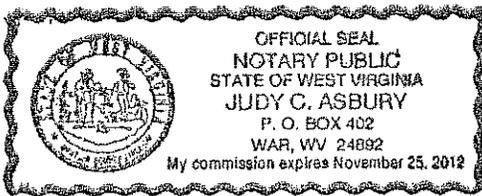
Subscribed and sworn before me this 30th day of June, 2005

My commission expires November 25, 2012.

(SEAL)

Judy C. Asbury

Notary Public



CITY OF WAR
OF
WAR, WEST VIRGINIA
RATES, RULES AND REGULATIONS FOR FURNISHING
WATER

at War, McDowell County, West Virginia

Filed with THE PUBLIC SERVICE COMMISSION
of
WEST VIRGINIA

W VA PUBLIC SERVICE
COMMISSION
SECRETARY'S OFFICE

2007 DEC 14 AM 11:17

RECEIVED

Issued July 22, 2003

Effective for service rendered on or after July 21, 2003

Issued by authority of an Order of the
Public Service Commission of West Virginia
in Case No. 02-1964-W-PC final
July 21, 2003 or as otherwise provided herein.

Issued by CITY OF WAR

By

Thomas C. Hatcher

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.
- II. It is expressly understood and agreed that water service furnished to the customer shall be for his (or their) own use and may not be remetered (sub-metered or resold) by the consumer to another or other consumers. This agreement may be waived by the Company for proper cause or under peculiar conditions.
- III. In cases where meters are installed within the premises of the consumer and are damaged by negligence or other acts of the consumer, or occupants of the premises or others, the utility will hold the consumer liable for such damage or loss. In case of such damage the utility will render to the consumer a bill for the actual cost of repairing the meter and replacing it in service. If payment for repairs is not made within thirty (30) days the utility reserves the right to discontinue service until such bill is paid in full and there will be charged in addition the sum of \$5.00 for re-establishing service. In all cases discontinuance of service shall be subject to the Commission's Rules and Regulations applicable thereto.
- IV. In cases where meters are installed at the curb or outside of the premises of a customer and are damaged by negligence or other acts of the consumer or his agents, payment for the cost of repairing such damage shall be assessed against the customer as set out in Rule III.
- V. The Company regularly provides, free of charge to customers, both the initial "cut in" service for customers applying for water service and "cut out" procedures including special meter reading when service is to be terminated.
- VI. Whenever the supply of water is turned off for non-payment of bills, the reconnection charge, payable in advance, shall be Five Dollars (\$5.00). In addition, the Company may require a deposit prior to having service reconnected.

SCHEDULE D C W
DOMESTIC AND COMMERCIAL WATER

APPLICABILITY

Applicable in War, McDowell, West Virginia

AVAILABILITY OF SERVICE

Available for general domestic and commercial service

MONTHLY CUSTOMER SERVICE CHARGE

5/8 inch connection	\$ 13.76 per month
1 inch connection	34.38 per month
1 - 1/2 inch connection	68.75 per month
2 - inch connection	110.00 per month

USAGE RATES

(Used per month)(Per 1,000 gallons)

First	2,000 gallons	\$ 6.88
Next	3,000 gallons	4.76
Next	5,000 gallons	4.31
Next	30,000 gallons	3.95
Next	60,000 gallons	3.72
All Over	100,000 gallons	3.47

MINIMUM BILL

The monthly customer service charge is the minimum bill.

LOCAL TAX SURCHARGE

See Sheet 5.

DELAYED PAYMENT PENALTY

The above tariff is net. On accounts not paid in full within twenty (20) days of the date of the bill, a ten percent (10%) penalty may be added to the net current amount shown. This delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

LEAK ADJUSTMENT

\$0.63 per 1,000 gallons. To be used when the bill reflects unusual consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate is used to calculate customer's historical average usage.

SCHEDULE F H P
PUBLIC FIRE PROTECTION

APPLICABILITY

Applicable in War, McDowell County, and vicinity

AVAILABILITY OF SERVICE

Available for hydrants for public fire protection on existing mains of the Company.

RATE

\$279.89

MINIMUM CHARGE

Monthly bills rendered under this rate for all facilities of the water system available for fire protection (now Class 8 insurance rate) will not in any event be less than the amount shown above. Under this tariff, twenty-five (25) fire hydrants are presently installed. All hydrants installed in addition to said twenty-five (25) will be charged \$11.75 per hydrant per month.

DELAYED PAYMENT PENALTY

The above tariff is net. On all accounts not paid in full within twenty (20) days of the date of the bill, a ten percent (10%) penalty may be added to the net amount shown. This delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

LOCAL TAX SURCHARGE

Customers receiving service in the following municipality shall pay a surcharge to pay for the B&O tax levied by the Town.

<u>Municipality or Political Subdivision</u>	<u>Assessed Local B&O Tax Percent</u>	<u>Effective Local B&O Tax Percent</u>
Town of War	4.00	4.37

Computed as follows:
$$\frac{\text{Local Tax Rate}}{(\text{Local Tax Rate} + \text{State Tax Rate})}$$

CITY OF WAR

P.S.C. W.VA. Tariff No. 1
Original Sheet No. 6

(N) Indicates new

AFFIDAVIT OF PUBLICATION:

State of West Virginia
County of McDowell, to wit:

I, Irene Wooten, being first duly sworn upon my oath, do depose and say that I am the Legal Editor of the Welch News, Inc., a corporation, publisher of the newspaper entitled The Welch News, a Republican newspaper; that I have duly authorized by the board of directors of such corporation to execute this affidavit of publication; that such newspaper has been published 3 times a week except weekends and holidays, for at least fifty weeks during the calendar year, in the Municipality of Welch, McDowell County, West Virginia; that such newspaper is a newspaper of "general circulation", as that term is defined in article three, chapter fifty-nine of the Code of West Virginia, 1931, as amended, within the publication are or areas of the aforesaid municipality and McDowell County, West Virginia; 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

Public Hearing

Steptoe & Johnson

PO Box 1588

Charleston, WV 25326-1588

was duly published in said newspaper once a week for 2 successive weeks, (Class II), commencing with the issue of the 2 day of Jan., 20 08, and ending with the issue of the 9 day of Jan., 20 08 (and was posted at the (if required)

on the day of, 20 that said annexed notice was published on the following dates: 1/02/08 & 1/09/08

and that the cost of publishing said annexed notice as aforesaid was \$ 78.89

Irene Wooten

Irene Wooten, Legal Editor
The Welch News

Taken subscribed and sworn to before me in my said county this 10 day of Jan., 20 08

Lesha A. Ratliff
Notary Public, State of West Virginia

LEGAL NOTICE

NOTICE OF PUBLIC HEARING ON CITY OF WAR BOND ORDINANCE

A public hearing will be held on the following-entitled Ordinance at a regular meeting of the Council of the City of War (the "City") to be held on Wednesday, January 16, 2008, at 6:00 p.m., at the City Hall, War, West Virginia, and at such hearing any person interested may appear before the City and present protests, and all protests and suggestions shall be heard by the City and it shall then take such actions as it shall deem proper in the premises upon an Ordinance entitled:

CITY OF WAR, WEST VIRGINIA
ORDINANCE AUTHORIZING THE PERMANENT FINANCING OF THE ACQUISITION OF WAR WATER WORKS BY THE CITY OF WAR AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF WAR OF NOT MORE THAN \$250,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

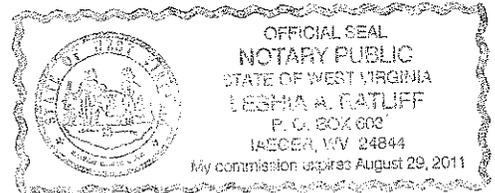
The above-quoted title of the Ordinance describes generally the contents thereof and the purposes of the Bonds contemplated thereby. The City contemplates the issuance of the Bonds described in the Ordinance. The proceeds of the Bonds will be used to provide permanent financing of the costs of acquisition of War Water Works by the City of War and to pay certain costs of issuance of the Bonds and related costs. The Bonds are payable solely from revenues to be derived from the ownership and operation of the water system of the City. No taxes may at any time be levied for the payment of the Bonds or the interest thereon.

The above-entitled Ordinance was adopted by the Council of the City of War on December 28, 2007. A certified copy of the above-entitled Ordinance is on file with the City for review by interested parties during regular office hours.

Following the public hearing, the City intends to enact the Ordinance upon final reading.

/s/ Thomas Hatcher
Mayor

1/2, 9, 2tp



TOWN OF WAR

Water Revenue Bonds, Series 2008 A
(West Virginia SRF Program)

EXCERPT OF MINUTES ON ADOPTION OF
SUPPLEMENTAL RESOLUTION, DRAW RESOLUTION AND
SWEEP RESOLUTION

The undersigned RECORDER of the Town of War of hereby certifies that the following is a true and correct excerpt of the minutes of a regular meeting of the said Council:

The Council of the Town of War met in regular session, pursuant to notice duly posted, on the 18th day of June, 2008, in McDowell County, West Virginia, at the hour of 6:00 p.m.

PRESENT:

Thomas C. Hatcher	Mayor
Peggy Deel	Recorder
Margaret Beavers	Councilperson
Manuel Collins	Councilperson
Mark James	Councilperson
Wesley Miller, Jr.	Councilperson
Frank Smith	Councilperson

Thomas Hatcher, Mayor, presided, and Peggy Deel, acted as Recorder. The Mayor announced that a quorum of members was present and that the meeting was open for any business properly before it.

Thereupon, the Mayor then presented a proposed Supplemental Resolution in writing entitled:

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISION, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA INFRASTRUCTURE FUND), OF THE TOWN OF WAR; APPROVING AND RATIFYING THE LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING

A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; CHANGING THE SERIES DESIGNATION; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

and caused the same to be read and there was discussion. Thereupon, upon motion duly made by Margaret Beavers and seconded by Wesley Miller, it was unanimously ordered that the said Supplemental Resolution be adopted and be in full force and effect on and from the date hereof.

Next, the Mayor presented a proposed Draw Resolution for the approval of invoices. Thereupon, on motion duly made by Manuel Collins and seconded by Margaret Beavers, it was unanimously ordered that the said Draw Resolution be adopted.

Next, the Mayor presented a proposed Sweep Resolution for the authorization of electronic monthly debt service and reserve fund payments to the Municipal Bond Commission. Thereupon, on motion duly made by Margaret Beavers and seconded by Manuel Collins, it was unanimously ordered that the said Sweep Resolution be adopted.

There being no further business to come before the meeting, on motion duly made and seconded, it was unanimously ordered that the meeting adjourn.

[Remainder of Page Intentionally Blank]

CERTIFICATION

I hereby certify that the foregoing is a true copy of the minutes of the Town of War and that such actions remain in full force and effect and have not been amended, rescinded, superseded, repealed or changed.

WITNESS my signature on this 26th day of June, 2008.

Peggy Deel
Recorder

939100.00002

2 - A

Margaret
Manuel
Approved

CITY OF WAR

COUNCIL MINUTES OF JANUARY 16, 2008

Present: Mayor Tom Hatcher; Recorder Peggy Deel; Council Members--Margaret Beavers, Mark James, Frank Smith, Manuel Collins, and Wesley Miller, Jr.

1. **Opening.** Mayor Hatcher called the meeting to order at 6 PM.
2. **Minutes of December 19, 2007.** Wesley Miller, Jr. moved and Manuel Collins seconded a motion to approve the December 19, 2007, Minutes. The motion carried.
3. **Minutes of December 28, 2007.** Margaret Beavers moved and Wesley Miller, Jr. seconded a motion to approve the December 28, 2007, Minutes. The motion carried.
4. **Bills.** After discussion, Margaret Beavers moved and Wesley Miller, Jr. seconded a motion to approve the bills for payment pending the availability of finances. The motion carried.
5. **Financial Report of November 30, 2007.** After discussion, Mark James moved and Wesley Miller, Jr. seconded a motion to accept the financial report, prepared by Joan Jones, for November 30, 2007. The motion carried.
- ✓ 6. **Third Reading of the Bond Ordinance to Purchase the Water Works.** Mark James moved and Manuel Collins seconded a motion to approve the Third and final Reading of the Bond Ordinance. The motion carried.
7. **Water.** Paul Gray gave the report on the water. There have been a few leaks, but not any major problems.
8. **Sewer.** Jerry Crabtree gave the report on the sewer. Everything with the sewer is working well. There are no problems.
9. **Motion on Water and Sewer Reports.** Margaret Beavers moved and Manuel Collins seconded a motion to accept the Water and Sewer reports. The motion carried.
10. **Welch News Ad for Police Officers.** The City of War is seeking a police officer and an ad will run in the Welch News from January 21 to February 4, 2008.
11. **Citizen Comments.** Jimmy Bolden was at the meeting to complain about having problems with his neighbor blocking his driveway. Mayor Hatcher will send a police officer to speak with the neighbor.

Thomas C. Hatcher, Mayor

Peggy Deel Recorder

2-A
Wesley
Miller
Approved

CITY OF WAR

COUNCIL MINUTES OF DECEMBER 19, 2007

Present: Mayor Tom Hatcher; Recorder Peggy Deel; Council Members - Frank Smith, Manuel Collins, Wesley Miller, Jr. and Mark James.

- 1. **Opening.** Mayor Hatcher called the meeting to order at 6 PM.
- 2. **Minutes of November 28, 2007.** Mark James moved and Manuel Collins seconded a motion to approve the November 28, 2007, Minutes. The motion carried.
- 3. **Bills.** After a review of the bills, Manuel Collins moved and Wesley Miller, Jr. seconded a motion to accept the bills for payment upon the availability of funds. The motion carried.
- 4. **Tazer Gun.** There needs to be a policy on the use of the Tazer Gun. Police officers have to have guidance and direction on the use of electronic control weapons. Mark Shelton presented a suggested policy. Mark James moved and Wesley Miller, Jr. seconded a motion to approve the policy. The motion carried.
- 5. **Water.** Jerry Crabtree, in the absence of Paul Gray, gave the report on the water. He discussed several leaks. Otherwise things are running smoothly.
- 6. **Sewer.** Jerry Crabtree gave the report on the sewer. Everything is normal.

Manuel Collins moved and Mark James seconded a motion to accept the water and sewer reports. The motion carried.

- ✓ 7. **First Reading of the Water System Bond Ordinance.** After discussion, Mark James moved and Manuel Collins seconded a motion to approve the First Reading of the Bond Ordinance. The motion carried.

The Second Reading will be December 28, 2007.

- 8. **Christmas Bonus.** Mayor Hatcher and the Council discussed giving all employees, including part-time, a \$100 Christmas Bonus. Wesley Miller, Jr. moved and Manuel Collins seconded a motion to approve the bonuses. The motion carried.
- 9. **Adjournment.** Manuel Collins moved to adjourn. The motion carried.

Submitted by Peggy Deel, Recorder. Approved by Council: January 16, 2008.

Peggy Deel
Peggy Deel, Recorder

Thomas C. Hatcher
Tom Hatcher, Mayor

CITY OF WAR

MINUTES OF COUNCIL MEETING OF DECEMBER 28, 2007

Present: Mayor Tom Hatcher; Recorder Peggy Deel; Council Members - Margaret Beavers, Frank Smith, Wesley Miller, Jr., Mark James, and Manuel Collins

1. Opening. Mayor Hatcher called the meeting to order at 6 PM.
- ✓ 2. Second Reading of the Bond Ordinance on the Purchase of the Water Company. After discussion, Wesley Miller, Jr. moved and Manuel Collins seconded a motion to approve the Second Reading of the Bond Ordinance. The motion carried.
3. Adjournment. Margaret Beavers moved to adjourn. The motion carried.

Submitted by Peggy Deel, Recorder. Approved by Council: January 16, 2008.



Peggy Deel, Recorder



Tom Hatcher, Mayor

WV MUNICIPAL BOND COMMISSION
 8 Capitol Street
 Terminal Building, Suite 500
 Charleston, WV 25301
 (304) 558-3971

NEW ISSUE REPORT FORM

Date of Report: June 26, 2008

(See Reverse for Instructions)

ISSUE: <u>Town of War</u>	
<u>Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund)</u>	
ADDRESS: <u>Post Office Box 280, War, West Virginia 24892</u>	COUNTY: <u>McDowell</u>
PURPOSE OF ISSUE:	
New Money: <u> x </u>	REFUNDS ISSUE(S) DATED: <u> NA </u>
Refunding: <u> </u>	
ISSUE DATE: <u> June 26, 2008 </u>	CLOSING DATE: <u> June 26, 2008 </u>
ISSUE AMOUNT: <u> \$215,300 </u>	RATE: <u> 0% </u>
1ST DEBT SERVICE DUE: <u> 1-Dec-08 </u>	1ST PRINCIPAL DUE <u> 1-Dec-08 </u>
1ST DEBT SERVICE AMOUNT <u> \$1,355 </u>	PAYING AGENT: <u> Municipal Bond Commission </u>
BOND COUNSEL:	
Firm: <u> Steptoe & Johnson PLLC </u>	UNDERWRITERS COUNSEL
Contact: <u> John Stump, Esquire </u>	Firm: <u> Jackson Kelly, PLLC </u>
Phone: <u> (304) 353.8196 </u>	Contact: <u> Samme Gee, Esquire </u>
	Phone: <u> (304) 340-1318 </u>
CLOSING BANK:	
Bank: <u> Ameribank </u>	ESCROW TRUSTEE:
Contact: <u> Ashley White </u>	Firm: <u> </u>
Phone: <u> 304.875.2251 </u>	Contact: <u> </u>
	Phone: <u> </u>
KNOWLEDGEABLE ISSUER CONTACT	
Contact: <u> Thomas Hatcher </u>	OTHER:
Position: <u> Mayor </u>	Agency: <u> West Virginia Infrastructure & </u>
Phone: <u> 304.874.3950 </u>	<u> Jobs Development Council </u>
	Contact: <u> Jefferson Brady, PE </u>
	Position: <u> Executive Director </u>
	Phone: <u> 304.558.4607 </u>
DEPOSITS TO MBC AT CLOSE	
By: <u> X </u> Wire	Accrued Interest: \$ <u> </u>
<u> </u> Check	Capitalized Interest: \$ <u> </u>
	<u> X </u> Reserve Account: \$ <u> 5,420 </u>
	Other: \$ <u> </u>
REFUNDS & TRANSFERS BY MBC AT CLOSE	
By: <u> </u> Wire	To Escrow Trustee \$ <u> </u>
<u> </u> Check	To Issuer \$ <u> </u>
<u> </u> IGT	To Cons. Invest. Fun: \$ <u> </u>
	To Other: <u> </u> \$ <u> </u>
NOTES: <u> The Series 2008 A Bond Reserve Account will be fully funded with bond proceeds. </u>	

FOR MUNICIPAL BOND COMMISSION USE ONLY:	
DOCUMENTS REQUIRED: _____	
TRANSFERS REQUIRED: _____	

The purpose of the NEW ISSUE REPORT FORM is to provide the WV Municipal Bond Commission with an early warning of three basic facts no later than the day of closing on any issue for which the Commission is to act as fiscal agent. These are:

1. Formal notification that a new issue is outstanding.
2. Date of first action or debt service.
3. Contact people should we lack documents, information, or funds needed to administer the issue by the date of the first action or debt service.

The commission recognizes that as bond transcripts become increasingly long and complex, it has become more difficult to assemble and submit them to the Commission within the 30 days specified by the West Virginia Code 13-3-8. This notice is not intended to provide all the information needed to administer an issue, but to alert the Commission and ensure that no debt service payments are missed due to delays in assembling bond transcripts. If, at the time of closing, documents such as the ordinance and all supplements, debt service schedules, and a specimen bond or photostat are available and submitted with this form, it will greatly aid the Commission in the performance of its duties. These documents are needed to set up the proper accounts and to advise the issuer of monthly deposit requirements as far in advance of the first debt service as possible.

It is not necessary to complete all items if they are not pertinent to your issue. Indicate the County of the issuer. With PSDs that overlap more than one county, indicate the county of their business office. Complete "Rate" only if the issue has only one rate. Please complete a separate form for each series of an issue. Other important information can be recorded under "Notes."

Again, please submit this form on each new issue on the day of closing. If fund transfers into or out of the Commission at closing are required, please submit this form before closing. If no significant facts change by closing, no resubmission at closing is required. If, however, there are changes, please submit an updated form, with changes noted, at closing.

If you should have any questions concerning this form, please call the Commission.

TOWN OF WAR

Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

ACCEPTANCE OF APPOINTMENT AS DEPOSITORY BANK

Ameribank, War, West Virginia, hereby accepts appointment as Depository Bank in connection with a Bond Ordinance of the Town of War (the "Issuer") enacted by the Issuer on January 16, 2008, and a Supplemental Resolution adopted by the Issuer on June 18, 2008 (collectively, the "Bond Legislation"), authorizing issuance of the Issuer's Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), dated June 26, 2008, issued in the original aggregate principal amount of \$215,300 (the "Bonds"), and agrees to serve as Depository Bank in connection with the Bonds, all as set forth in the Bond Legislation.

WITNESS my signature on this 26th day of June, 2008.

AMERIBANK

By: Beth Parrish
Its: Authorized Officer

TOWN OF WAR

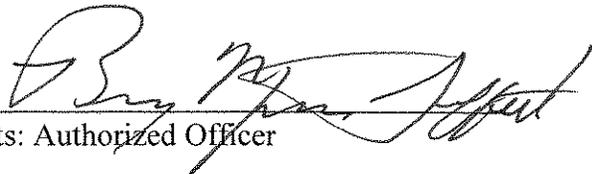
Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

ACCEPTANCE OF DUTIES AS REGISTRAR

The Huntington National Bank, Charleston, West Virginia, hereby accepts appointment as Registrar in connection with the Town of War Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), dated June 26, 2008, issued in the original aggregate principal amount of \$215,300 (the "Bonds"), and agrees to perform all duties of Registrar in connection with the Bonds, all as set forth in the Bond Legislation authorizing issuance of the Bonds.

WITNESS my signature on this 26th day of June, 2008.

THE HUNTINGTON NATIONAL BANK

By: 
Its: Authorized Officer

TOWN OF WAR

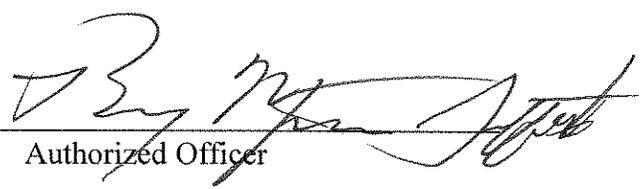
Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

CERTIFICATE OF REGISTRATION OF BONDS

THE HUNTINGTON NATIONAL BANK, Charleston, West Virginia, as Registrar under the Bond Legislation and Registrar's Agreement providing for the above-captioned Bonds of the Town of War (the "Issuer"), hereby certifies that on the date hereof, the single, fully registered Water Revenue Bond, Series 2008 A (West Virginia Infrastructure Fund), of the Issuer, dated June 26, 2008, in the principal amount of \$215,300, numbered AR-1, was registered as to principal only in the name of "West Virginia Water Development Authority" in the books of the Issuer kept for that purpose at our office, by a duly authorized officer on behalf of The Huntington National Bank, as Registrar.

WITNESS my signature on this 26th day of June, 2008.

THE HUNTINGTON NATIONAL BANK

By: 
Its: Authorized Officer

TOWN OF WAR

Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 26th day of June, 2008, by and between the TOWN OF WAR, a municipal corporation and political subdivision of the State of West Virginia (the "Issuer"), and THE HUNTINGTON NATIONAL BANK, Charleston, West Virginia (the "Registrar").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its \$215,300 Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), dated June 26, 2008, in fully registered form (the "Bonds"), pursuant to a Bond Ordinance of the Issuer duly enacted January 16, 2008, and a Supplemental Resolution of the Issuer duly adopted June 18, 2008 (collectively, the "Bond Legislation");

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

WHEREAS, the Bond Legislation provides for an appointment by the Issuer of a Registrar for the Bonds; and

WHEREAS, the Issuer desires to appoint, and by the Bond Legislation and this Registrar's Agreement does appoint, the Registrar to act as Registrar under the Bond Legislation and to take certain other actions hereinafter set forth;

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

1. Upon the execution of this Registrar's Agreement by the Issuer and the Registrar and during the term hereof, the Registrar does accept and shall have and carry out the powers and duties of Registrar for the Bonds, all as set forth in the Bond Legislation, such duties including, among other things, the duties to authenticate, register and deliver Bonds upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the exemption of interest on the Bonds from federal income taxation, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Issuer advises it of and with generally accepted industry standards.

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

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

4. As compensation for acting as Registrar pursuant to this Registrar's Agreement, the Issuer hereby agrees to pay to the Registrar the compensation for services rendered as provided in the attached invoice.

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

6. The Issuer and the Registrar each warrants and represents that it is duly authorized and empowered to execute and enter into this Registrar's Agreement and that neither such execution nor the performance of its duties hereunder or under the Bond Legislation will violate any order, decree or agreement to which it is a party or by which it is bound.

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

ISSUER: Town of War
 P.O. Box 280
 War, WV 24892
 Attention: Mayor

REGISTRAR: The Huntington National Bank
One Huntington Square
Charleston, West Virginia 25326
Attention: Corporate Trust Department

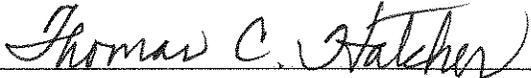
8. The Registrar is hereby requested and authorized to authenticate, register and deliver the Bonds in accordance with the Bond Legislation.

9. This document may be executed in one or more counterparts each of which shall be deemed an original and all of which shall constitute but one and the same document.

[Remainder of Page intentionally Blank]

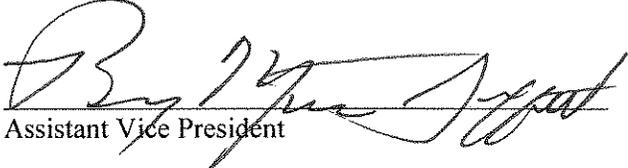
IN WITNESS WHEREOF, the parties hereto have respectively caused this Registrar's Agreement to be signed in their names and on their behalf, all as of the day and year first above-written.

TOWN OF WAR



Mayor

THE HUNTINGTON NATIONAL BANK



Assistant Vice President

EXHIBIT A

Bond Legislation included in bond transcript as Documents No. 1 and No. 2

SCHEDULE OF COMPENSATION

(See attached)

Private Financial Group
P.O. Box 633 - WE3013
Charleston, West Virginia 25322-0633



STATEMENT OF REGISTRAR'S FEES
Invoice Date June 26, 2008

Town of War
Account Number 6089001809

Town of War
Water Revenue Bonds, Series 2008 A
John C. Stump
Steptoe & Johnson, PLLC
P.O. Box 1588
Charleston, WV 25326-1588

SUMMARY OF ACCOUNT

FEE CALCULATION FOR June, 2008

TOTAL AMOUNT	\$	500.00
TOTAL DUE	\$	<u>500.00</u>

- * FEE INVOICES ARE PAYABLE WITHIN 30 DAYS. IF PAYMENT *
- * IS NOT RECEIVED, FEES WILL BE DEDUCTED FROM THE PLAN *
- * .. MAIL CHECK TO: HUNTINGTON NATIONAL BANK, ATTN: BARRY. . *
- * .. GRIFFITH, PO BOX 633, CHARLESTON, WV 25322-0633 *

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT
Barry Morgan Griffith at (304)348-5035

CERTIFICATE OF LIABILITY INSURANCE

ADDITIONAL INSURED: CITY OF WAR
P. O. BOX 280
WAR, WV 24892

CERTIFICATE NO: L 0483 - Aug 5, 1987

This certifies that the insured named above is an Additional Insured for the Coverage indicated below under General Liability Policy GL 1595261 and Automobile Policy CA 1606853 issued to the State of West Virginia by NATIONAL UNION FIRE INSURANCE CO. OF PITTSBURGH, PA.

COVERAGE PERIOD: Jul 1, 2007 to Jul 1, 2008 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 occurrence* 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.

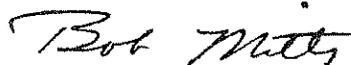
SPECIAL LIMITS: The auto physical damage limit is the actual cash value of each vehicle subject to a deductible of \$1,000.

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: August 5, 1986

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:

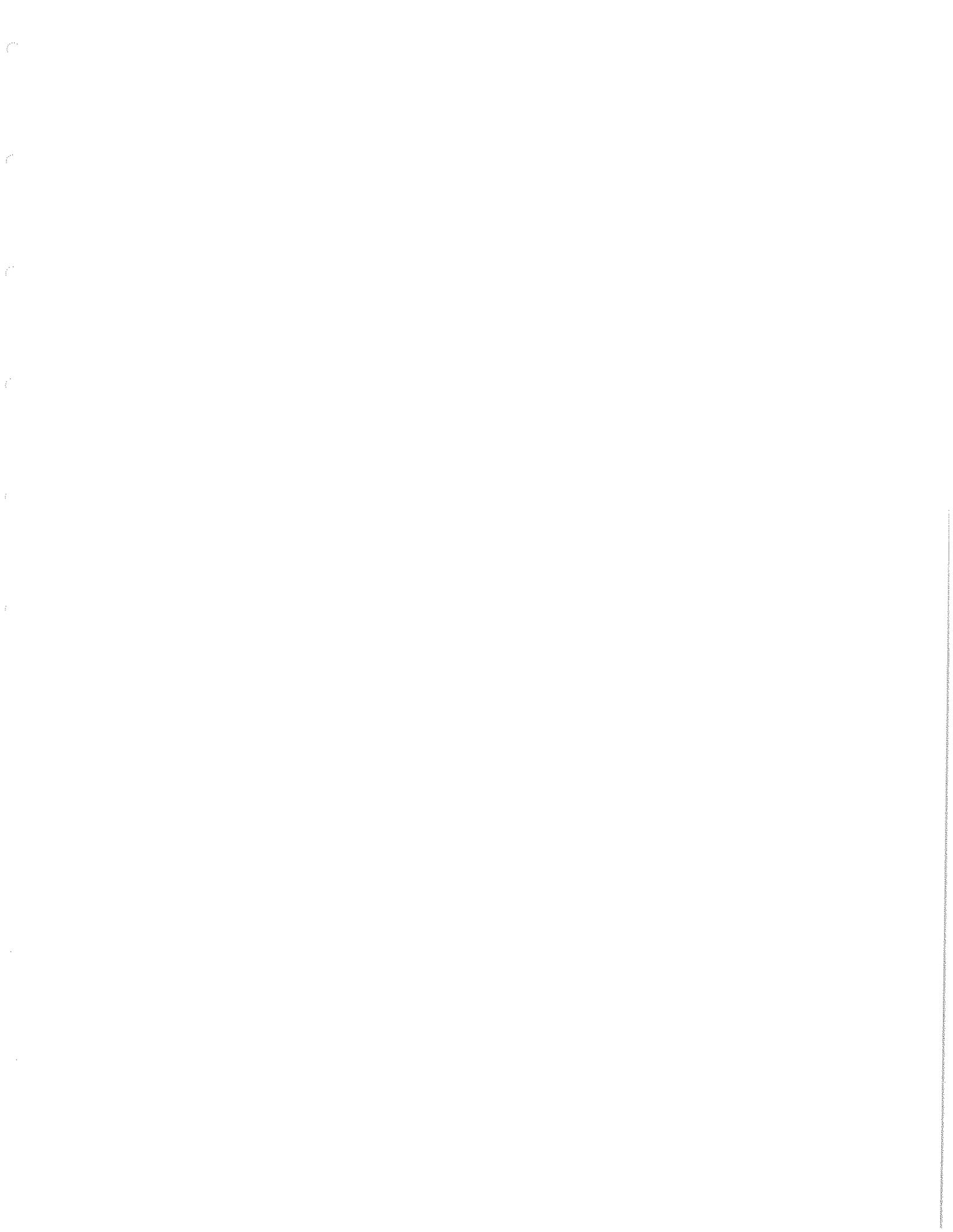


AUTHORIZED REPRESENTATIVE

DATED: June 10, 2007

AGENT OF RECORD: COMMERCIAL INSURANCE SERVICES

340 MACCORKLE AVENUE, SUITE 200 SE
CHARLESTON, WV 25314



AGREEMENT OF SALE

THIS AGREEMENT OF SALE, made and entered into as of the 4th day of December, 2002, by and between **WAR WATER WORKS, INC.** a West Virginia corporation, with a mailing address of P. O. Box 2109, Charleston, West Virginia 25328, party of the first part, Seller, sometimes hereinafter referred to as "**WAR WATER**", and the **CITY OF WAR**, a political subdivision of the State of West Virginia, with a mailing address of P.O. Box 280, War, West Virginia 24892, party of the second part, Buyer, sometimes hereinafter referred to as the "**CITY**".

WHEREAS, War Water is the owner and operator of certain water treatment, storage and distribution systems in and around War and Excelsior areas of McDowell County, West Virginia; and,

WHEREAS, War Water is also the owner of certain inventory and pieces of equipment used in conjunction with the operation and maintenance of its water system facilities; and,

WHEREAS, the City is desirous of buying and War Water is desirous of selling certain assets utilized by it in connection with its water systems, all as more particularly set forth herein, subject to the following terms and conditions.

WITNESSETH:

That for and in consideration of the mutual covenants, agreements, representations, warranties and other good and valuable considerations, the receipt and sufficiency of all of which are hereby acknowledged, the parties do hereby AGREE as follows:

1 . War Water **AGREES** to grant, bargain, sell, transfer, convey, assign and deliver to the City, and the City **AGREES** to purchase from War Water, the following assets, sometimes hereinafter collectively referred to as the "Assets":

a. All water mains, service and distribution lines, treatment plants and sources of supply (except the City Realty system treatment plant and well), storage facilities, meters, valves, fittings and equipment owned by War Water and used in connection with the City Realty Water System, Public Water System, PWSID No. 330-2472, and the Excelsior Water System, PWSID No. 330-2449 (hereinafter collectively referred to as the "Water Systems"), and described and listed on Exhibit "A", a copy of which is attached hereto and incorporated by reference herein (the "Tangible Personal Property"). It is explicitly understood that this above described "Tangible Personal Property" to be transferred only includes the City Realty and Excelsior Water Systems and does NOT include the Yukon #2 Water System, PWSID No. 330-2450. It is also understood that the sale does NOT include the City Realty system source of supply (well) and treatment plant, which will be leased by War Water to the City under a separate Lease Agreement, included herewith as Attachment No. 1.

b. All customer accounts receivable of War Water for customers of the Water Systems as of the closing of the transactions contemplated herein (the "Closing") that are less than sixty (60) days old as of three (3) days prior to the date of Closing set below and all customer accounts receivable of War Water as of the date of Closing that are over sixty (60) days old for which War Water has properly executed current paying customer repayment agreements (the "Accounts Receivable"). The City also agrees to purchase the remainder of War Water customer accounts receivable at a discounted value of 80% of their actual value.

c. All maintenance materials, tools, replacement parts, inventory, and other equipment and materials used in the upkeep of the Water Systems, including, but not limited to, pipes, valves, meters, meter yokes, meter boxes and lids and miscellaneous fittings in War Water's

inventory as of the date of Closing (the "Inventory").

d. Copies of all current customer records, meter books, and maintenance and testing records of War Water (the "Business Records").

e. All of the right, title and interest of whatever nature of War Water in and to all easements, rights-of-way, deeds of easement, licenses and all other rights of ingress and egress relating to the Water Systems, including, but not limited to, those shown on the list which is attached hereto and incorporated by reference herein as part of Exhibit "B".

f. All real property associated with the Water Systems owned by War Water, as listed in Exhibit "B" (the "Real Property Included"). It is understood that those tracts of land associated with the Yukon #2 Water System, PWSID No. 330-2450 are not included.

2. In consideration of all of the aforesaid Assets to be conveyed and transferred to the City by War Water pursuant to Paragraph 1 herein, and in further consideration of all of the covenants, agreements, representations and warranties of War Water to be kept and performed by War Water as set forth herein, the City agrees to pay to War Water, and War Water agrees to accept from the City, the following as the purchase price (the "Purchase Price"):

(a) the sum of One Hundred Thousand Dollars (\$100,000.00), to be paid in cash at Closing, which represents a down payment (the "Down Payment") for the Assets;

(b) the Accounts Receivable, as they exist at 8:00 a.m. three (3) days prior to the date of Closing, to be paid in cash at closing; and

(c) the amount of One Hundred Fifty Two Thousand One Hundred Thirty and 65/100 Dollars (\$152,130.65), at an interest rate of four and six-tenths percent (4.6%) annually pursuant to the terms of a note (the "Note"), payable to War Water as follows:

Note Repayment Schedule

(1) \$50,000 of the principal amount of the Note plus interest is due and payable eighteen (18) months after the date of Closing.

(2) \$100,000 of the principal amount of the Note plus interest is due and payable thirty-six (36) months after the date of Closing.

(3) The remaining balance of the principal amount of the Note plus interest is due and payable fifty-four (54) months after the date of Closing.

The Note shall be secured by a deed of trust to be executed by the City at Closing. The principal on the Note may be prepaid at any time without penalty. If there exists any indebtedness of War Water on any of the Assets to be conveyed to the City, War Water agrees to disclose documentation of all such indebtedness and keep current all debt principal and interest payments through the date of the Closing, and if the indebtedness is to be assumed by the City, the amount of such indebtedness shall be deducted from the Purchase Price.

3. War Water will provide appropriate documentation of interim water collections to the City and, additionally, War Water agrees to make all accounts receivable records and customer repayment agreements available for inspection by the City during normal business hours.

4. War Water agrees to transfer and deliver to the City all sums of money owed by War Water to customers as of the date of Closing for customer security deposits, including all appropriate customer deposit records and receipts on the date of Closing, set forth below (the "Customer Security Deposits").

5. War Water agrees that it will not purchase any vehicles or equipment or execute any contracts for all or any part of the Water Systems without the express written consent of the City

after the date of this Agreement, which consent shall not be unreasonably withheld, except as may be required in the ordinary course of business up to the date of Closing or expiration of this Agreement, whichever comes first. A list of all contracts and agreements to which War Water is a party relating to or affecting all or any part of the Water Systems or the Assets to be conveyed herein is attached hereto as Exhibit "C."

6. War Water warrants and represents to the City that all of the Assets to be sold and delivered to the City pursuant to the provisions of Paragraph No. 1 herein are located in McDowell County, West Virginia. War Water agrees that it will not remove or dispose of any of such property from such locations without the express written consent of the City except as may be required in the ordinary course of business up to the date of delivery of possession of the Assets to the City. War Water, to the extent it has the right to do so, shall grant, transfer, convey and assign to the City all warranties, express or implied, relating to the Tangible Personal Property and Inventory to be transferred to the City hereunder, and will provide to the City all written documentation of said warranties and guarantees.

7. War Water warrants and represents to the City as follows:

a. War Water is a duly organized corporation, validly existing and in good standing under the laws of the State of West Virginia.

b. War Water has full corporate power and authority to enter into, deliver and perform this Agreement and each agreement or instrument executed in connection herewith, and all necessary corporate action has been taken to duly authorize the execution, delivery and performance of this Agreement and each agreement or instrument executed in connection herewith. This Agreement and each agreement or instrument executed in connection herewith shall constitute the

legal, valid and binding obligation of War Water, enforceable in accordance with their respective terms. David W. Musser is the duly elected and current President of War Water and has the full right, power and authority from said corporation to enter into this Agreement of Sale on behalf of War Water, to sell the Assets on behalf of War Water and to execute on behalf of War Water any and all other documents as may be necessary to consummate this transaction.

c. War Water has or will have good and marketable title, by the date of Closing, to all of the Tangible Personal Property, Inventory and Accounts Receivable to be transferred hereunder, subject to no liens, restrictions, encumbrances, security interests, mortgages or pledges.

d. The Assets to be transferred to the City hereunder constitute all of the facilities, equipment, lines, mains, tools, parts, inventory, real estate interests, contracts, agreements and other assets that are necessary to the ownership, operation or maintenance of the Water Systems. Except for the Assets, there are no facilities, equipment, lines, mains, tools, parts, inventory, real estate interests, contracts, agreements or other assets that are currently being used by War Water in connection with the ownership, operation or maintenance of the Water Systems.

e. There are no contracts or agreements to which War Water is a party relating to or affecting all or any of the Water Systems or the Assets other than those shown on Exhibit "C."

f. There are no material contracts, agreements, leases, obligations or liabilities relating to or affecting any of the Assets or the Water Systems, or to which any of the Assets of the Water Systems are subject, except as disclosed in this Agreement or any exhibit hereto.

g. No authorization, approval or consent of any third party, except for the Public Service Commission of West Virginia, is required in order for War Water to execute and deliver all of the documents, agreements and instruments to be delivered by War Water pursuant to this

Agreement, and to duly perform and observe all of the terms and provisions of this Agreement.

h. At the Closing, War Water shall transfer or deliver to the City all documents, instruments, records, monies, deposits and other items necessary to effect the transactions contemplated by this Agreement, including without limitation:

- (i) the Tangible Personal Property;
- (ii) the Accounts Receivable;
- (iii) the Inventory;
- (iv) the Business Records;
- (v) an Assignment and Bill of Sale conveying the items described above, as well as all applicable real estate interests described in paragraph 1.e hereof, and containing a detailed description of the real estate interests to be conveyed;
- (vi) a Deed conveying all applicable real estate interests described in paragraph 1.f hereof, and containing a detailed description of the real estate interests to be conveyed;
- (vii) all applicable leases that must be executed in connection with the transactions contemplated by this Agreement;
- (viii) the Customer Security Deposits, and all records, receipts and other documentation relating thereto;
- (ix) documentation of any indebtedness that exists with respect to any of the Assets as described in paragraph 2 hereof;
- (x) documentation of interim water collections, as described in paragraph 3 hereof;

(xi) documentation of any warranties and guarantees on Tangible Personal Property and Inventory, as described in paragraph 6 hereof; and

(xii) certified copies of duly adopted resolutions of the board of directors and stockholders of War Water authorizing and approving the execution, delivery and performance of this Agreement and each agreement or instrument executed in connection herewith by War Water.

8. The City of War represents and warrants to War Water as follows:

a. The City is a political subdivision of the State of West Virginia;

b. The Honorable Thomas C. Hatcher is the duly elected and current Mayor of the City and has the full right, power and authority from the City to enter into this Agreement on behalf of the City to purchase the Assets on behalf of the City and to execute on behalf of the City any and all other documents as may be necessary to consummate this transaction;

c. The purchase of the Assets of War Water by the City hereunder will not conflict with or result in a breach of the terms of any agreement or other instrument to which the City is party or by which it is, or may be, bound or which would constitute a default thereunder; and

d. The City Council of the City has duly adopted resolutions authorizing and approving the execution, delivery and performance of this Agreement and all other agreements, documents and instruments executed in connection herewith by the City and certified copies of such resolutions will be delivered by the City to War Water at Closing.

9. War Water represents and warrants that the sale of the Assets of War Water hereunder, the execution, delivery and performance of this Agreement and all other documents and instruments contemplated hereby, and the fulfillment of and compliance with the terms and condition

hereof by War Water, do not and will not conflict with or result in breach of, or default under, the terms of any agreement, contract, mortgage, lease, deed of trust or other instrument to which War Water is a party or by which it or any of the Assets are, or may be, bound or affected, or which would result in the creation or imposition of any lien, charge, pledge, mortgage or encumbrance on, or give to any third party any interest or right in or to, any of the aforesaid Assets.

10. The board of directors and stockholders of War Water have duly adopted resolutions authorizing and approving the execution, delivery and performance of this Agreement by War Water and certified copies of such resolutions will be delivered by War Water to the City at Closing.

11. War Water warrants that there are no present or anticipated filings of any mechanic's liens or materialman's liens against any of the Assets of War Water to be transferred hereunder, and War Water agrees to indemnify and hold harmless the City as a result of any expenses or costs, including reasonable attorney fees, as may be necessary in order to remove any such liens imposed upon the Assets transferred herein, by reason of any matter occurring prior to Closing.

12. The parties agree that War Water will retain the same risk number for purposes of worker's compensation coverage, benefits and obligations for all of its past and present employees, up to the date of Closing. Any claim made for worker's compensation coverage or benefits by such employees in respect to matters occurring prior to Closing, whether for temporary total disability, permanent total disability, death, reopenings or otherwise shall be the sole and exclusive responsibility of War Water and War Water agrees to hold harmless and indemnify the City as a result of any such claims by past or present employees of War Water.

13. The parties agree that War Water will be solely responsible for all retirement and/or pension related funds maintained by it for its employees, past and present, and the City will have no

obligation or responsibility in any manner with regard to the maintenance, investment, distribution or payment of any such pension or employees retirement funds.

14. War Water warrants that there are no actions, suits, claims or other proceedings, litigation or investigations pending or threatened, or any judgment, order, writ, injunction or decree, against or involving War Water, its properties or assets, by any person, firm, corporation, court, commission, board, agency, or governmental or other entity which would have a material adverse effect upon the business of War Water, the Assets or any material part thereof, the consummation of the transactions contemplated herein, the execution and delivery of this Agreement and all other documents and instruments contemplated hereby, or the fulfillment of and compliance with the terms and conditions hereof by War Water.

15. War Water warrants that it possesses all of the permits and licenses necessary for the operation of the Water Systems, and that all of said permits and licenses are in full force and effect, without any material violations thereof.

16. War Water warrants that the assets, liabilities and financial condition of its operations are, to the best of its knowledge, accurately reflected upon that certain Annual Report submitted by War Water to the Public Service Commission of West Virginia ("PSC") for its tax year ended December 31, 2001, a copy of which is attached hereto as Exhibit "D", with respect to the period covered by such Report, and there has not been a material adverse change in the financial condition of War Water since December 31, 2001.

17. Each party covenants and agrees that all of its warranties and representations contained in this Agreement shall be true and correct as of the Closing, and further, the parties specifically agree that all warranties and representations contained herein shall survive the Closing

of this transaction for a period of one (1) year. Each party shall indemnify and save harmless the other and its directors, officers, agents, and employees, from and against all claims, actions, causes of action, liabilities, obligations, losses, damages, costs and expenses (including attorney's fees) suffered or incurred by the other, arising out of or relating to any incorrectness in, breach of, or default under, any representation, warranty, covenant or obligation of such party under this agreement, for a period of one (1) year after the Closing.

18. The parties specifically agree that the City will assume only those obligations, debts or liabilities of War Water as expressly set forth herein. All other obligations, debts and liabilities of War Water that are not set forth herein shall remain the sole obligation of War Water and shall not be binding in any manner or enforceable against the City.

19. War Water agrees to indemnify and hold harmless the City and its Mayor, Commissioners, Council members, officers, agents and employees from any and all claims, demands, damages, costs and expenses arising out of any act or omission relating to the use, condition or operation of any Tangible Personal Property or Inventory to be transferred pursuant to this Agreement and which occurs prior to the Closing, for a period of one (1) year from and after the date of Closing of this transaction. It is agreed that all Tangible Personal Property and Inventory to be sold hereunder will be transferred "as is" and "where is" without any express or implied warranties of any kind, including without limitation, warranties of merchantability or fitness for any particular purpose by War Water.

20. War Water and the City each represent to the other that neither has dealt with any broker in such a manner as to incur any liability for any commission, fee or compensation whatsoever in connection with this transaction, and each agrees to indemnify the other against any

loss, cost or expense resulting from any such claim as may result from dealing with a broker.

21. War Water and the City represent, warrant, and agree that there are no covenants, conditions or restrictions which would impair or interfere in any way with the sale contemplated herein by War Water and purchase contemplated herein by the City.

22. All Assets to be sold hereunder by War Water are sold as part of the consideration for the total price hereinabove stated, and are to be sold without encumbrances of any type or kind whatsoever. War Water shall provide a full and complete statement of all Uniform Commercial Code (UCC) indexing statements on any of the subject personal property upon execution of this Agreement, if any. In the event that there are encumbrances of any type or kind on any of said personal property to be transferred herein, War Water shall remove the same prior to the date of Closing, or the City may remove the same at the expense of War Water.

23. War Water warrants and represents to the City that, to the best of its knowledge, there are no eminent domain or condemnation proceedings pending, proposed or known to War Water, in which any portion of the Assets hereunder shall or may be taken.

24. War Water agrees that the City and the PSC shall have the right to inspect the business records at the office of War Water during normal business hours prior to consummation of the transaction and further represents that, to the best of its knowledge, the same are true, accurate and correct.

25. The parties agree that War Water will be solely responsible for any taxes that may be imposed upon it as a result of the sale of the Assets, and any other taxes including, but not limited to, state, federal and municipal taxes, withholding taxes, employment taxes, social security taxes (FICA), transfer taxes, licenses and fees lawfully imposed upon it and attributable to any period

through Closing. All personal property taxes imposed or assessed upon the Assets shall be prorated as of Closing on a calendar year basis.

26. All notices and other communications hereunder shall be in writing and shall be deemed to be duly given if mailed by first class, registered or certified mail, return receipt requested, addressed to the parties at the respective addresses as set forth in the first page of this Agreement, or at such other address as any party may from time to time designate for such purpose by written notice.

27. This Agreement, and the terms and conditions hereof, shall inure to the benefit of and be binding upon the respective successors and assigns of each of the respective parties hereto.

28. This Agreement contains the entire agreement between the parties. No promise, representation, warranty or covenant not included in this Agreement has been or is being relied upon by either party. Each party has relied upon its own examination of the full Agreement and provisions hereof, and the counsel of its own advisors, and the warranties, representations and covenants expressly contained in the Agreement itself. No modification or amendment of this Agreement shall be of any force or effect unless in writing duly executed by both parties.

29. Each party fully and completely acknowledges, understands and agrees that this Agreement and the transfer of the Assets as contemplated herein is expressly subject to approval of the PSC. Any condition, modification or restriction of any part of this transaction, imposed or requested by the PSC as a condition of its approval of the sale, must be agreed to in writing by both parties before it becomes binding on either party. Failure by either party to agree to any such condition, modification or restriction shall not be considered a default under, or breach of, this Agreement and either party may, upon notice to the other party, terminate this Agreement if such

party should not agree with such condition, modification or restriction. War Water further acknowledges and understands that the transfer as contemplated herein will also be subject to the ability of the City to obtain reasonable and adequate financing in order to properly fund the purchase of the Assets. The City agrees that it will use its best efforts to secure such financing.

30. In the event that this transaction fails to close due to a refusal or default on the part of War Water, then and in such event, at the option of the City, the City may pursue its rights against War Water by virtue of the refusal and default of War Water, either at law or in equity, including, but not limited to, the right of specific performance.

31. In the event that this transaction fails to close due to a refusal or default on the part of the City, then and in such event, at the option of War Water, War Water may pursue its rights against the City, by virtue of the refusal and default of the City, either at law or in equity, including, but not limited to, the right of specific performance.

32. Both parties specifically acknowledge, understand and agree that it shall not be considered an act of default by the City or War Water if the PSC does not authorize and approve the sale as contemplated herein, nor shall it be considered a default by the City if after using its best efforts to secure the necessary financing that such financing does not develop.

33. It is the intent of both parties herein for War Water to sell, and the City to buy, the Assets, and, in that regard, both parties agree to cooperate fully and completely with each other to achieve this desired result.

34. The parties specifically agree that the sale of the Assets of War Water is specifically not a sale or purchase of any shares of stock of War Water.

35. The date of Closing of this transaction shall be on a date to be set by mutual

agreement, but not more than ninety (90) days from the date an Order of the PSC approving this transfer becomes final.

36. Either party may, upon notice to the other party, terminate this Agreement in the event the PSC should not approve this Agreement and the transactions contemplated herein on or before June 1, 2004.

37. Each of the parties shall, on demand by the other party, execute and deliver or cause to be executed and delivered all such other and further documents and instruments and do all such other and further acts and things as the other may reasonably require, either before or after the Closing, to evidence, carry out and give full effect to the terms, conditions, intent and meaning of this Agreement and to assure the completion of the transactions contemplated hereby, whether before or after the Closing.

WITNESS the following signatures and seals.

WAR WATER WORKS, INC., a West Virginia corporation,

BY: David W. Musser
David W. Musser, President

CORPORATE SEAL

THE CITY OF WAR, a political subdivision of the State of West Virginia.

BY: Thomas C. Hatcher
Its Mayor

CORPORATE SEAL

13.00
1.00
14.00

DEED

THIS DEED, Made and entered into as of the 22nd day of October, 2003, by and between WAR WATER WORKS, INC., a West Virginia corporation, party of the first part, and CITY OF WAR, a municipal corporation, party of the second part;

W I T N E S S E T H :

That for and in consideration of the sum of Ten Dollars (\$10.00), cash in hand paid, and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the party of the first part does hereby GRANT, CONVEY, BARGAIN, SELL, ASSIGN and TRANSFER unto the party of the second part, all the following described property:

1) All that certain lot, piece or parcel of land in what is known as the Lincoln Addition to the Town of War, McDowell County, West Virginia, which is more particularly bounded and described as follows:

BEGINNING at a point on the northerly line of Hickory Street at the corner of Lots Nos. Thirty-two (32) and Thirty-three (33) as the same is shown and described on a map of said Addition to the Town of War; thence with the said northern line of Hickory Street in an easterly direction to the corner of Lots Nos. Thirty-three (33) and Thirty-four (34); thence with the division line between Lots Nos. 33 and 34 of the said Lincoln Addition, a distance of forty (40) feet to a point on the said division line between Lots Nos. 33 and 34; thence in a westerly direction by a line parallel with the northern line of Hickory Street to a point on the division line between Lots Nos. 32 and 33; thence with the said division line between Lots Nos. 32 and 33, a distance of forty (40) feet to the point of BEGINNING, and being the same property conveyed to War Light and Water Company, a corporation, by deed dated December 23, 1924, from Toney-Thomas Company, a corporation, et al, recorded in the office of the Clerk of the County Commission of McDowell County, West Virginia, in Deed Book 101, at Page 318.

2) All that certain lot or parcel of land situate in the Town of War (formerly

Miners City), McDowell County, West Virginia, and being a portion of Lot No. Twelve (12) in Block "C" of the said Miners City as shown on a map thereof, of record in the aforesaid Clerk's Office, and being more particularly bounded and described as follows:

BEGINNING at a point on High Street, the said point being at the corner of Lots Nos. Eleven (11) and Twelve (12) of Block "C" of the said Town of Miners City; thence with the line of High Street in an eastern direction to the corner of High Street and Coal Street, that corner being the northeastern corner of the said Lot No. 12; thence in a southern direction with the line of Coal Street twenty-eight (28) feet to a point on the said line of Coal Street; thence in a westerly direction by a line parallel to the southern line of High Street to a point on the division line between Lots Nos. 11 and 12; thence with the said division line to the point of BEGINNING, and being the same property conveyed to War Light and Water Company, a corporation, by deed dated December 23, 1924, from the Town of War, a municipal corporation, recorded in the aforesaid Clerk's Office, in Deed Book 101, at Page 637.

3) All the surface and the surface only of that certain lot or parcel of land situate in the Town of War, Big Creek District, McDowell County, West Virginia, the eastern side of which lies to the west of and twenty-five (25) feet, more or less, from the western side of Lot No. Two Hundred Twelve (212) of the Subdivision of West War in the said Town, which is more particularly bounded and described as follows:

BEGINNING at a point, which said beginning point is N. 85° 54' W. A distance of 25.50 feet from the northwest corner of Lot No. 212 of the subdivision of West War, as shown on the official map of the said Subdivision, a copy of which is recorded in the aforesaid Clerk's Office in Map Book No. 12 at page 60, the said point being on the south street line of a twenty (20) foot street; thence N. 82° 54' W. a distance of 25.21 feet to a point, the said point being on the south line of the said twenty (20) foot street; thence continuing with the said south line of the said twenty foot street N. 66° 20' W. a distance of 11.20 feet to a point on the said south line of the said twenty (20) foot street, the said point being opposite the center line of the partition wall in a building which was formerly the powerhouse of the Excelsior Coal Company; thence leaving the said south street line of the said twenty (20) foot street and with a line which, when projected, is the center line of said partition wall, S. 4° 16' E. a distance of 18.83 feet to the said wall;

thence in the same direction a distance of 38.63 feet to the south line of said building; thence in the same direction a distance of 9.20 feet from the south side of the said Excelsior Coal Company building to a crossmark on the northeast corner of a concrete retaining wall, being a total distance from the south line of the said twenty (20) foot street of 66.66 feet, more or less; thence leaving the said projected line of the center of the said partition wall S. 80° 37' E. a distance of 50.44 feet to a point, the said point being the southeastern corner of the parcel hereby conveyed; thence N. 1° 02' W. a distance of 59.35 feet to the point of BEGINNING, all as shown on the plat or drawing thereof, and being part of the property conveyed to War Light and Water Company, a corporation, by deed dated July 24, 1937, from G. A. Koger and Bessie D. Koger, his wife, recorded in the aforesaid Clerk's Office in Deed Book 136, at Page 141.

4) All the following four (4) lots or parcels of land situate in the Town of Yukon, together with the buildings and improvements thereon, and the rights and appurtenances thereunto belonging, which are described as follows:

a) A lot known, designated and described as the Deep Well Pump House Lot and being in Block No. 2 of said Town and lying between two streets and extending from the western line of one of said streets to the eastern line of the other, and being Twenty-five (25) feet in width and located across the street from the western end of Lot No. 19 in said Block No. 2, as shown on the map of said Block No. 2 of the said Town of Yukon, recorded in the aforesaid Clerk's Office in Map Book No. 15 at Page 125, and

b) A lot known, designated and described as the Water Tank Lot, being Fifty (50) feet square, and having two cypress water tanks thereon, and being in Block No. 2 of the said Town, as shown on the aforesaid map of said Block No. 2, and

c) A lot known, designated and described as the Tank Lot, being Forty (40) feet square and having a thirty thousand gallon cypress tank thereon, and being in Block No. 3 of the said Town and located about two hundred (200) feet due south of Lot No. 25 of said Block

No. 3, as shown on the map of said Block No. 3, recorded in the aforesaid Clerk's Office in Map Book No. 15, at Page 127, and

d) A lot known as the Deep Well Pump House Lot, and having a brick pump house building thereon and lying between Lots 21 and 22 of Block No. 3 of said Town of Yukon, and bounded as follows:

BEGINNING at the northeast corner of Lot No. 1, thence with the southeastern line of Lot 21, a distance of 95.2 feet to a point in said line; thence leaving said southeastern line of Lot 21 and running at right angles thereto, a distance of 20 feet to a point in the northwesterly line of Lot 22; thence at right angles and with the northwesterly line of Lot 22, 28 feet to a point; thence at right angles with an offset line in Lot 22, 10 feet to a point; thence at right angles and with the northwesterly corner of Lot 22 and in the southwesterly line of the street; thence with the line of said street, 10 feet to the point of BEGINNING, as shown on the map of said Block No. 3 aforesaid.

The four (4) parcels described in paragraph (4) herein are the same four (4) lots heretofore conveyed to War Light and Water Company, a corporation, by deed dated April 17, 1939, from Yukon-Pocahontas Fuel Company, a West Virginia corporation, recorded in the aforesaid Clerk's Office in Deed Book 142, at Page 466.

5) All that lot or parcel of land situate, lying and being northwest of Section "C" of the Northwood Addition to the City of War, in Big Creek District, McDowell County, West Virginia, which is more fully bounded and described as follows:

BEGINNING at a stake at the northeastern corner of the tract herein conveyed, which said beginning point is S. $12^{\circ} 31'$ W. a distance of 248.01 feet from the northwestern corner of Lot No. Twenty-three (23) of Section "C" of the said Northwood Addition; thence N. $60^{\circ} 26'$ E. a distance of two hundred (200) feet to a stake; thence N. $29^{\circ} 34'$ W. a distance of two hundred (200) feet to a stake; thence S. $60^{\circ} 26'$ W. a distance of two hundred (200) feet to a stake; thence S. $29^{\circ} 34'$ E. a distance of two hundred (200) feet to the place of BEGINNING,

containing 0.918 acres, and being the same property conveyed to War Light and Water Company, a corporation, by deed dated December 12, 1946, from Mannie Shore, single, recorded in the aforesaid Clerk's Office in Deed Book 172, at Page 336.

6) All of the water supply, transmission and distribution system, equipment, property and appurtenances of the War Water Works, including but not limited to automobiles and trucks, chlorination machinery and equipment, filters and filtering machinery and equipment, hydrants, meters, meter boxes, motors, pipes, pumps, spigots, and other accessories, storage tanks, and all other tanks and equipment, water lines, water mains, water pipes, wells and well machinery and equipment, well houses, all water service, appliances, equipment, furniture and fixtures, all book accounts, and all other apparatus equipment and appurtenances owned by the party of the first part, and used or useful for producing, processing, transmitting, distributing and supplying water and associated products to and for the commercial, residential and other customers of the party of the first part herein situate, (1) in the Towns of War, Watson and Yukon, McDowell County, West Virginia, (2) Excelsior Camps Nos. 1 and 2, (3) Warriormine Camp, (4) all the parcels of land conveyed by this instrument, and (5) all the parcels of land adjacent or near to or in the vicinity of the aforesaid lands, or that can be served by the water systems conveyed by this deed.

This includes the property heretofore conveyed to War Light and Water Company, the party of the first part's predecessor in title, by (1) Fayette Land & Improvement Company, a West Virginia corporation, and Berwind Land Company, a Delaware corporation, by their deed dated March 28, 1932, and of record in the aforesaid Clerk's Office in Deed Book 122, at Page 442, (2) Fayette Land & Improvement Company, a West Virginia corporation, by its deed dated July 28, 1936, and of record in the aforesaid Clerk's Office in Deed Book 132, at Page 450,

(3) Fayette Land & Improvement Company, a West Virginia corporation, and New River and Pocahontas Consolidated Coal Company, a New Jersey corporation, by their deed dated February 8, 1939, and of record in the aforesaid Clerk's Office in Deed Book 141, at Page 382, and (4) Yukon-Pocahontas Fuel Company, a West Virginia corporation, by its deed dated April 17, 1939, of record in the aforesaid Clerk's Office in Deed Book 142, at Page 466.

7) All water systems, personal property of the party of the first part of every sort, kind and description which is used, or useful in, for and about the production, transmission, distribution and sale of water and related products by the party of the first part in and near to contiguous portions of the cities, towns and villages named herein, together with all the rights, privileges, immunities, franchises, rights-of-way, easements or other privileges upon, over or under the lands of other persons or corporations which rights belong to the party of the first part and are used or which may be used or necessary or convenient for the operation of the said water system and any extension thereof and additions thereto, and also all rights, easements, rights-of-way and permits held by or owned by the said party of the first part for crossing highways, railroads, rivers and streams and school and church property, or for any other purpose in connection with the holding and operation of the said water system. This includes the property heretofore conveyed to War Light and Water Company, the party of the first part's predecessor in title, by the deeds listed herein.

The aforesaid described property conveyed herein in the same property conveyed to the party of the first part by deed dated December 30, 1949, from War Light and Water Company, a corporation, recorded in the aforesaid Clerk's Office in Deed Book 195, at Page 271.

Subject to all reservations, exceptions, restrictions, conditions and limitations that may be contained in the chain of title, the party of the first part does hereby covenant that it will WARRANT

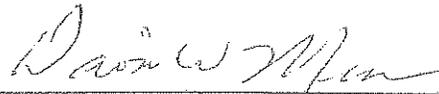
GENERALLY the title to the said property hereby conveyed and covenants that the same is free and clear of all liens, encumbrances and security interest.

Pursuant to the provisions of *West Virginia Code 24-2-12 (c)*, the Public Service Commission of West Virginia has granted its consent and approval to the transfer and sale of the property described herein by order entered on July 1, 2003, final on July 21, 2003, in Case No. 02-1964-W-PC.

DECLARATION OF CONSIDERATION OR VALUE: Under penalty of fine and imprisonment as provided by law, the party of the first part does hereby declare that this conveyance is not subject to the West Virginia excise tax on the transfer of real estate for the reason that this conveyance is made to a political subdivision of the State of West Virginia.

WITNESS: the following signature and seal:

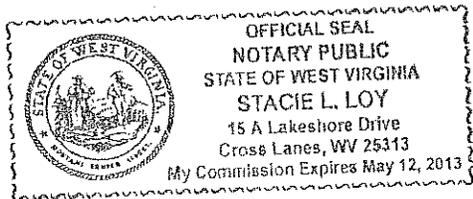
WAR WATER WORKS, INC., a corporation.

By: 
David Musser, President

STATE OF WEST VIRGINIA,
COUNTY OF KANAWHA, To-wit:

The foregoing instrument was acknowledged before me this 22nd day of October, 2003, by David Musser, President of War Water Works, Inc., a corporation, on behalf of the corporation.

My commission expires May 12, 2013



Stacie L. Loy
NOTARY PUBLIC

THIS INSTRUMENT WAS PREPARED BY:
Thomas N. Hanna
Attorney at Law
P.O. Box 3967
Charleston, WV 25339
WV State Bar # 1581.

WEST VIRGINIA: 10th Day of November 2003
McDOWELL COUNTY COMMISSION: TESTE: DONALD L. HICKS
CLERK'S OFFICE: BY:

Donald L. Hicks

The foregoing writing with certificate thereto, was this day presented in said office and duly admitted to record.
CASTO & HARRIS, INC., SPENCER, WV RE-ORDER NO. 12097-02

CLERK.

STATE TAX COMMISSIONER OF WEST VIRGINIA
SALES LISTING FORM

The Instrument May Not Be Recorded If This Form Is Not Completed In Its Entirety

West Virginia Code §§11-22-6, 11A-3-2 & 11A-3-3 (Amended 3-11-95)

Revised 5/03

County: Putnam Taxing District: Putnam

Tax Map No. (s): 5 & 6 Parcel(s): 114.2

Tax Map No. (s): 402 Parcel(s): 115-102-131-10

Assessor Account No.: _____

Grantor's Name: Putnam Water Works, Inc

Grantee's Name: City of Putnam

Mailing Address of New Owner: PO Box 250, Putnam, WV 24792

Most Recent Previous Deed Book No. _____ Page No. _____

Grantor's Source of Title: _____

(If not by "Previous Deed" referenced above)

(a) Real Estate

(b) Other Valuable Goods/Services: (If Applicable)

Consideration/Value \$ _____ \$ _____

Lot Size or Acreage Involved: _____

Estate(s) Transferred: _____

(Examples: Fee, Surface, Mineral, Coal, etc)

- (1) Was this transaction on the open market? Yes / No (Circle one)
- (2) Does this transaction involve more than one parcel? Yes / No (Circle one)
- (3) Was this sale between related individuals or related corporations? Yes / No (Circle one)
- (4) Was this a liquidation, foreclosure or other "Forced" sale? Yes / No (Circle one)
- (5) Is this transaction pursuant to a land contract or owner financing? Yes / No (Circle one)
- (6) Does this transaction include personal property? Yes / No (Circle one)
- (7) Does this transaction include minerals and/or timber? Yes / No (Circle one)
- (8) Any other financing arrangements materially affecting consideration? Yes / No (Circle one)

If "No" to Question 1 or "Yes" to Questions 2 - 8 above, please explain below:

(2) Parcel purchased in deed (3) Putnam Water Works, Inc and the City of Putnam - 2 parcels

Filed By: Thomas E. Hutchins, Mayor Signature 304-345-3111 Phone Number

LIENHOLDER INFORMATION (OPTIONAL)

Check if change of name and/or address

Name: _____

Address for Notice: _____

INTEREST IN PROPERTY:

_____ Surface Owner's Rights Deed Book: _____ Page No. _____

_____ Fiduciary Interest Relationship to Owner: _____

_____ Lienholder Trust Deed Book No.: _____ Page No. _____

_____ Other _____

To be Completed by County Clerk:
Stamp Fee Paid: _____
Date Recorded: <u>11/1/03</u>
New Deed Book No.: <u>114</u>
New Deed Book Page No.: <u>131</u>
Date of Transaction: <u>11/1/03</u>

Sheriff's Use Only
Date Received: _____
Effective Dates of Lien: _____
Date Entered: _____
Entered By: _____
Tax Ticket No.: _____

RELEASE OF LIEN

COMPLETE THIS SECTION IF YOU ARE RELEASING THIS LIEN:

Date Lien Is Released: _____

Signature of Lienholder: _____

NOTE

\$ 152,130.65

Charleston, West Virginia
October 22, 2003

FOR VALUE RECEIVED, the undersigned City of War, a municipal corporation, does hereby promise to pay to the order of War Water Works, Inc., a corporation, the principal sum of \$152,130.65, with interest (computed on the basis of a 360-day year) from the date hereof on the unpaid principal amount at a annual rate of four and six-tenths percent (4.6%), payable as follows:

\$ 50,000.00 in principal, plus interest, eighteen (18) months after the date of closing.

\$ 100,000.00 in principal, plus interest, thirty-six (36) months after the date of closing.

Remaining balance of principal, plus interest, fifty-four (54) months after the date of closing.

Said principal and interest shall be payable in lawful money (legal tender) of the United States, to the owners or holders hereof at P.O. Box 2109, Charleston, West Virginia 25328, or at such other place as the owners or holders hereof may designate in writing.

The maker or makers hereof reserve the right to pay the whole or any part of the principal and interest due hereon at any time. Presentment, protest and notice are hereby waived.

This note is secured by a deed of trust bearing even date herewith to Thomas N. Hanna, Trustee. This note may not be assumed without the written consent of the holders thereof.

If default shall be made in the payment of this note, or any part thereof, or any interest thereon, when the same becomes due and payable, or should default be made in the performance at any time of the covenants contained in the deed of trust given to secure this note, then, and in that event the whole of this note, with all accrued interest shall at the option of the holders thereof, become at once due and payable without further notice.

CITY OF WAR, a municipal corporation.

By: Thomas C. Hatcher
Thomas C. Hatcher, Mayor

001462

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116.00
2.00

118.00

THIS DEED OF TRUST, made this 22nd day of October, 2003, by and between CITY OF WAR, a municipal corporation, party of the first part, hereinafter designated as "Grantor," and THOMAS N. HANNA., a resident of Kanawha County, West Virginia, party of the second part, hereinafter designated as "Trustee."

WITNESSETH: That for and in consideration of the matter hereinafter set forth and of the sum of One Dollar (\$1.00), cash in hand paid, said Grantor does hereby GRANT AND CONVEY unto the said Trustee, all those certain lots, pieces or parcels of land, together with the improvements thereon and the appurtenances thereunto belonging, situate in McDowell County, West Virginia, as more particularly described in Exhibit A attached hereto and made a part hereof.

IN TRUST to secure the payment of \$ 152,130.65, with interest thereon, as evidenced by one promissory note dated even date hereof, in the principal sum of \$ 152,130.65, executed by the Grantor and payable to the order of War Water Works, Inc., P.O. Box 2109, Charleston, West Virginia 25328, a copy of which said note is attached hereto and made a part hereof as Exhibit B.

This deed of trust shall also secure any note or notes given in continuation of, in renewal of, in lieu of, or as substitution for said original note, however changed in form or amount, together with any interest that may be due thereon.

The beneficial owner of the indebtedness hereby secured is War Water Works, Inc., P. O. Box 2109, Charleston, West Virginia 25328.

The said Grantor covenants and agrees with the said Trustee, and with the holder of

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said note, and each of them, as follows:

1. That Grantor will promptly pay all taxes, charges and assessments lawfully levied against the above described land and the buildings and structures erected thereon, and upon their failure so to do, then the Trustee, or the holder of the obligation hereby secured, may pay the same, or any part thereof remaining unpaid, and any amounts so paid shall be repayable on demand, shall bear interest at the maximum rate then permitted by law but not to exceed the rate set forth in the note secured hereby from the date of such payment, and shall be and become secured by this deed of trust.

2. That the Grantor will keep the buildings on the premises hereby conveyed, and the appurtenances thereunto belonging, fully insured against loss by fire and against such other losses in such amounts as may be satisfactory to the beneficial owner of the indebtedness hereby secured during the life of this trust, in insurance companies acceptable to, and with standard mortgages loss clause approved by beneficiary; that the originals of all policies shall be deposited with beneficiary; that the Grantor will pay, when due, the premiums on said insurance; and that in the event the Grantor shall fail to pay said premiums, then the Trustee or the beneficiary hereunder may pay the same, and any amounts so paid shall be repayable on demand, shall bear interest at the maximum rate then permitted by law but not to exceed the rate set forth in the note secured hereby from the date of such payment, and shall be and become secured by this deed of trust.

3. That the Grantor will keep and maintain the property hereby conveyed and the

improvements thereon in good condition, reasonable wear and tear excepted, and will not commit nor permit the commission of waste of said property, nor allow the destruction, demolition, alteration or abandonment of any building, improvement or fixture located on said property and should this covenant be violated, in addition to the other rights afforded to the Trustee or holder, such Trustee or holder may, at their option, make such repairs as they or either of them deem necessary to prevent damage or loss of value to the property herein described, or if waste is being committed, to take such action as may be necessary to stop or mitigate it and the amount expended therefor plus interest thereon at the maximum rate then permitted by law but not to exceed the rate set forth in the note secured hereby from the date of such expenditure, shall be repayable upon demand and shall be secured by this deed of trust. That they will permit the Trustee, the holder and their agents at all reasonable times to enter and inspect the said property, upon reasonable notice.

4. That the Grantor has done no act to encumber said property except as herein otherwise stated; that they will execute such further assurances of said property as may be requisite; that they will warrant generally the title to the said property hereby conveyed; and that the Trustee shall have quiet possession of said property, free from all liens and encumbrances, except those herein described.

5. That if the Grantor shall default in the payment of the indebtedness hereby secured, or any installment thereof, and the interest thereon, or any sums advanced or due for costs, taxes, charges, assessments, improvements or insurance premiums, in accordance with

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the provisions hereof, or if Grantor shall fail to keep and perform any of the agreements or covenants on their behalf to be kept and performed, or if the Grantor shall make an assignment for the benefit of creditors or voluntarily file a petition in bankruptcy or suffer involuntary bankruptcy proceedings against them, or if the Grantor shall permit any mechanic's or other liens arising by contract or law, which might be prior to the lien of this deed of trust, to be created upon all or any part of said premises without securing a release thereof, then, upon the happening of any of said events, the indebtedness hereby secured shall, at the option of the beneficiary, immediately become wholly due and payable, and upon the written request of the beneficiary, said Trustee shall sell the property hereby conveyed for cash in hand on day of sale. Failure to exercise said option shall not be construed as a waiver of the right to exercise said option as to any other or subsequent default.

6. That the Grantor will pay to the Trustee and will pay the holder of any note or obligation, the payment of which is hereby secured, any and all sums of money, including costs, expenses and reasonable attorney fees, which either of them may incur or expend in any proceedings, legal or equitable, to sustain the lien of this deed of trust, or its priority, or in defending any party hereto or any party hereby secured against the liens, demands or claims of title, or any or either of them, of any person or persons asserting priority over this deed of trust or asserting title adverse to the title under which said Trustee holds, or in the discharge or any such lien or claim, or in connection with any suit at law or in equity to foreclose this deed of trust or recover any indebtedness hereby secured, together with interest

on such sums at the maximum rate then permitted by law but to exceed the rate set forth in the note secured hereby until paid, and this deed of trust shall stand as security therefor.

7. That upon the maturity of the indebtedness hereby secured, either by lapse of time or by reason of any default on the part of the Grantor as hereinbefore provided, the Trustee, or the then holder of any note or obligation, the payment of which is hereby secured, shall, at the option of the owner or holder of the said note or obligation, have the right separately or jointly with any other holder of an obligation hereby secured to forthwith enter into and upon the land and premises hereinbefore described and take possession thereof, without process of law and without liability, and collect and apply the rents, issues and profits, or to have a receiver appointed by any court having jurisdiction to collect, receive and apply the rents, issues and profits thereof, after the payment of all necessary charges and expenses upon the indebtedness hereby secured; that the said rents, issues and profits of all and every part of the said land and premises hereby granted and conveyed, accruing after any such default, are hereby specifically pledged and assigned to said Trustee as additional security for the obligation hereby secured to be collected and applied to the payment of the indebtedness hereby secured, and to the payment of all obligations which may accrue against the Grantor under the terms of this deed of trust; that the said Grantor hereby makes such pledge and assignment of the rents, issues and profits unto the said Trustee prior to any other pledge and assignment thereof which may be hereafter made by them.

8. That if any interest, legal or equitable, in whole or in part, in said property be

transferred (other than by devise or inheritance) by the Grantor, its heirs or devisees, to any person, firm or corporation without the consent in writing of the beneficial owner of the indebtedness hereby secured, then said beneficiary or owner of the indebtedness hereby secured may, upon thirty days notice to the grantor, declare all indebtedness secured hereby immediately due and payable, and, if the same is not paid within thirty days after such notice, the property hereby conveyed may be sold as hereinafter provided. This right may be exercised at any time after such conveyance, and no acceptance of payments from or on behalf of the Grantor, its heirs, devisees or assigns, after such conveyance shall operate as a waiver of or an estoppel against the right given in this Paragraph.

9. That upon the maturity of this indebtedness, either by lapse of time or by any default on the part of the grantor, the Trustee, upon the written request of the then holder of any note or other indebtedness, the payment of which is hereby secured, may proceed at once to foreclose this deed of trust and to enforce the payment of all obligations hereby secured, and then, and in either event, and as any such default or maturity may occur, upon the request in writing of the holder of any said note or obligation hereby secured, the said Trustee shall sell the land and premises hereby conveyed at public auction for cash in hand on day of sale at the Front Door of the Courthouse of the County in which the property herein conveyed is situated, and out of the proceeds of sale the said trustee shall pay:

- a. The necessary costs and expenses attending the execution of this trust, including a commission of five percent of the selling price of said premises to the

Trustee for acting as Trustee hereunder;

b. To the holder of said note or other obligation the amount due and unpaid thereon, together with interest thereon to date of payment, and shall pay to the party entitled thereto all monies that may have been paid for taxes, insurance, fees and all other expenses incurred and paid under the terms of this deed of trust, together with interest thereon at the maximum rate then permitted by law but not to exceed the rate set forth in the note secured hereby from the date of such payments;

c. The balance, if any, to the Grantor herein, its heirs and assigns.

10. In the event of the resignation, death, incapacity, disability, removal or absence from the State of the Trustee herein named, or, in the event of his refusal or failure to act when so requested, then, and in any such event, the holder of the obligation hereby secured shall be authorized and empowered to appoint by an instrument, recorded wherever this deed of trust is recorded, another or two other Trustees in the place and stead of the Trustee herein named, which Trustee or Trustees shall have all the rights, powers and authority and be charged with all the duties that are conferred or charged upon the trustee herein named.

11. That in the event foreclosure proceedings are instituted under the terms and provisions of this deed of trust but are not completed, the Trustee shall be entitled to charge and collect the necessary costs and expenses incurred by him, together with a fee of one percent of the balance due on the note or other obligation hereby secured.

12. In case of sale by said Trustee, notice of sale shall be given, sale shall be made

and this trust executed in accordance with the laws of the State of West Virginia relating to sales under deeds of trust, except that personal service of such notice is waived. The sale may be adjourned from time to time without notice other than by oral proclamation at the time and place appointed for selling.

13. It is further agreed by and between the parties hereto that the words "parties of the first part" or the words "them," "they" or "their" when used in this deed of trust shall, when required by the context hereof, be taken to refer to and to mean the grantor or grantors herein, whether one or more in number, and whether individual, firm or corporation, and that the word "trustee" shall include all trustees, if more than one trustee is named in the premises hereof. In the event of there being two or more trustees named herein, any one or more may act hereunder as trustee with full and complete power to execute the provisions hereof. It is further agreed that the word "note" or "obligation" shall include any and all notes or obligations, if more than one, secured by this deed of trust, and any failure to exercise any option hereinabove provided for shall not be construed as a waiver of any rights or privileges contained herein.

14. Grantor hereby waives the benefit of all homestead exemptions as to the debt secured hereby and as to any expenditure by the beneficiary or the Trustee, the repayment of which is secured hereby.

15. That the beneficiary or holder of said note shall have a lien upon any condemnation award or similar sums payable by reason of a taking of all or any portion of the

property described herein, and such may, at holder's election, be received and applied to payment of the obligations secured hereby.

16. Grantor, after reasonable inquiry, has determined that no material amounts of hazardous substances have been installed, stored, recycled, disposed of, released or otherwise located on the subject property and no material amounts of hazardous substances have been released into or at properties immediately adjacent to the subject property. Also, no storage tanks for petroleum or any other substances are currently located or have been located on the subject property whether above ground, underground or within a structure.

17. Grantor has not made nor intends to make any use of the subject property which will result in the location or disposal of hazardous substances on or to the subject property.

18. Grantor, during the existence of this trust, shall not allow any hazardous substance to be brought into, installed, used, stored, treated, disposed of or transported over the property or underground storage tank to be installed on the subject property, without prior written consent from beneficiary and Trustee. Upon receipt of notice from grantor concerning grantor's intent or desire to take any action described in this paragraph, beneficiary and trustee may, at their sole option, consent, withhold consent, or condition their consent upon the provisions by Grantor of insurance adequate to fully cover and protect the beneficiary's and Trustee's interest under the note and under this deed of trust.

Singular or plural use of words where the same meaning is intended shall not affect the validity of this deed of trust.

388 304

IN WITNESS WHEREOF, City of War, a municipal corporation, has caused this deed of trust to be executed in its corporate name by Thomas C. Hatcher, its Mayor, thereunto duly authorized, all as of the day, month and year first above written.

CITY OF WAR, a municipal corporation.

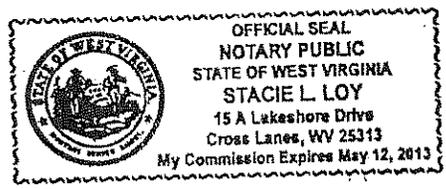
By Thomas C. Hatcher
Thomas C. Hatcher, Mayor

STATE OF WEST VIRGINIA,
COUNTY OF KANAWHA, TO-WIT:

I, Stacie L. Loy, a Notary Public in and for the County and State aforesaid,
do hereby certify that Thomas C. Hatcher, who signed the writing above bearing date the
22nd day of October, 2003, for City of War, a municipal corporation, has this day before me
in my said County acknowledged the said writing to be the act and deed of said corporation.

Given under my hand this 22nd day of October, 2003.

Stacie L. Loy
Notary Public



This instrument was prepared by:
Thomas N. Hanna, Esq.
Attorney at Law
P.O. Box 3967
Charleston, WV 25339
WV State Bar # 1581

WEST VIRGINIA: 10th Day of November 2003
McDOWELL COUNTY COMMISSION:
CLERK'S OFFICE: TESTE: DONALD L. HICKS
BY:

Donald L. Hicks

The foregoing writing with certificate
thereto, was this day presented in said
office and duly admitted to record.
CASTO & HARRIS, INC., SPENCER, WV RE-ORDER NO. 12087-02

CLERK.

RELEASE

The undersigned, War Water Works, Inc., does hereby release the lien of that certain Deed of Trust from the City of War, to Thomas N. Hanna, Trustee, dated October 22, 2003, of record in the Office of the Clerk of the County Commission of McDowell County, West Virginia, in Trust Deed Book 388, at page 295, to secure the said War Water Works, Inc., the indebtedness secured thereby having been fully paid and satisfied and hereby cancel the Note dated October 22, 2003, executed by the City of War, in the principal amount of \$152,130.65.

In Witness Whereof, the undersigned has hereunto signed his name and affixed his seal as of the 26th day of June, 2008.

127 (SEAL)
2008 JUL -2 A 10:11
10392 A 11111
McDOWELL COUNTY COMMISSION
CLERK'S OFFICE

War Water Works, Inc.

David W. Musser
By: David W. Musser, President

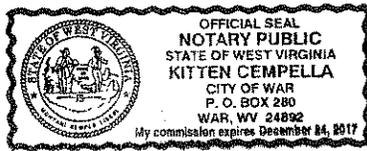
STATE OF WEST VIRGINIA,
COUNTY OF McDowell, TO-WIT:

The foregoing instrument was acknowledged before me this 26th day of June, 2008, by David W. Musser, President of War Water Works, Inc.

My commission expires: 12-24-2017

Kitten Cempella
Notary Public

(NOTARIAL SEAL)



Prepared by and return to:
John C. Stump, Esquire
Stoptoe & Johnson PLLC
Post Office Box 1588
Charleston, West Virginia 25326

WEST VIRGINIA: 2nd Day of July 08
McDOWELL COUNTY COMMISSION: TESTE: DONALD L. HICKS
CLERK'S OFFICE

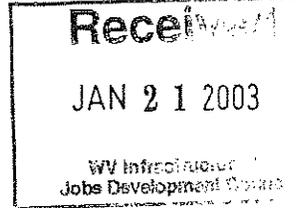
Donald L. Hicks

The foregoing writing with certificate thereto, was this day presented in said office and duly admitted to record.

West Virginia Infrastructure & Jobs Development Council

Public Members:

Russell L. Isaacs, Chairman
Cottageville
Henry Harmon, Vice Chairman
Hurricane
Dwight Calhoun
Petersburg
C. R. "Rennie" Hill, III
Beckley



300 Summers Street, Suite 980
Charleston, West Virginia 25301
Telephone: (304) 558-4607
Facsimile: (304) 558-4609

Katy Mallory, PE
Executive Secretary

Katy.Mallory@verizon.net

January 10, 2002

The Honorable Thomas Hatcher
Mayor, City of War
P.O. Box 280
City of War 24892

Re: Binding Commitment Letter
War Water Works Purchase
Project WVEDA 2001B-013

Dear Mayor Hatcher:

The West Virginia Infrastructure and Jobs Development Council (the "Infrastructure Council") provides this binding offer on behalf of the West Virginia Economic Development Authority (WVEDA) for a grant of \$100,000 (the "WVEDA Grant") to the City of War (the "City") for the purchase of the War Water Works (the "Project"). The Infrastructure Council will enter into a Grant agreement with the City following receipt of the completed Schedule B, a final, nonappealable order from the Public Service Commission authorizing the Project and any other documents requested by the Infrastructure Council.

No statements or representations made before or after the issuance of this contingent commitment by any person, member of the Infrastructure Council, or agent or employee of the Authority shall be construed as approval to alter or amend this commitment, as all such amendments or alterations shall only be made in writing after approval of the Infrastructure Council.

If the City has any questions regarding this commitment, please contact me at the above-referenced telephone number.

Sincerely,

A handwritten signature in cursive script that reads "Katy Mallory".

Katy Mallory, P.E.

NOTE: This letter is sent in duplicate. Please acknowledge receipt on one copy and immediately return to the Infrastructure Council.

City of War

By: Thomas C. Hatcher

Its: Mayor

Date: 1-14-03

WEST VIRGINIA INFRASTRUCTURE & JOBS DEVELOPMENT COUNCIL

City of War
War Water Works Purchase
Project WVEDA 2001B-013
January 10, 2003

SCHEDULE A

- A. Amount: \$100,000 WVEDA Grant administered by the Infrastructure Council
- B. Other Funding Sources:
\$152,130.65 City of War
- C. Total Project Cost: \$252,130.65

cc: Susan Riggs, Esquire
Region I Planning & Development Council

CLOSING MEMORANDUM

To: Financing Team
From: John C. Stump, Esquire
Date: June 26, 2008
Re: Town of War Water Revenue Bonds, Series 2008 A
(West Virginia Infrastructure Fund)

1. **DISBURSEMENTS TO THE TOWN OF WAR**

Payor: West Virginia Infrastructure Fund
Amount: \$209,880
Form: Wire
Payee: Town of War
Bank: Ameribank
ABA: 051503213
Account #: 15-10355
Contact: Ashley White 304.875.2251
Account: Series 2008 A Bonds Construction Fund

2. **DISBURSEMENTS TO MUNICIPAL BOND COMMISSION**

A.. Payor: West Virginia Infrastructure and Jobs Development Council
Source: Series 2008 A Bonds Proceeds
Amount: \$5,420
Form: Wire Transfer
Payee: Town of War
Bank: BB&T for benefit of Municipal Bond Commission
Routing #: 051503394
Account: 5270517317
Contact: Sara Boardman, 558.3971
Account: Series 2008 A Bonds Reserve Account

Town of War

RESOLUTION OF THE TOWN OF WAR APPROVING INVOICES RELATING TO WAR WATER WORKS ACQUISITION PROJECT AND AUTHORIZING PAYMENT THEREOF,

WHEREAS, the Town of War has reviewed the invoices attached hereto and incorporated herein by reference relation to the construction of the Project funded by the WV Infrastructure & Jobs Development Council (IJDC) and find as follows:

- a) That none of the items for which 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 paid 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.
- d) That the payment for each of the items proposed is due and owing.

NOW, THEREFOR, BE IT RESOLVED the Town of War by as follows: There is hereby authorized and directed the payment of the attached invoices as follows:

Vendor	Total	IJDC
War Water Works	186,397.57	186,397.57
Huntington Banks (Registrar)	500.00	500.00
Steptoe & Johnson (Bond Counsel)	12,078.89	12,078.89
Municipal Bond Commission (Reserve Fund)	5,420.00	5,420.00
Spilman Thomas & Battle	980.50	980.50
Jeff Feamster	3,750.00	3,750.00
Region I	6,173.04	6,173.04
Kendrick King		
Total	215,300.00	215,300.00

ADOPTED BY the Town of War, at the meeting held on the 18th day of June, 2008.

By: Thomas C. Hatcher

Its: Mayor

State of West Virginia
WATER DEVELOPMENT AUTHORITY

180 Association Drive, Charleston, WV 25311-1217
 (304) 558-3612 - (304) 558-0299 (Fax)

Internet: www.wvwda.org - Email: contact@wvwda.org

PRECLOSING ATTENDANCE LIST

Date June 25, 2008 Time 2:00pm LGA City of War Program IF

NAME	COMPANY, AGENCY, OR ORGANIZATION	TELEPHONE	FAX	E-MAIL
Ryan White	Jackson Kelly	340-1883	340-1272	swhite@jacksonkelly.com
Samuel Lee	Jackson Kelly	340-1318	340-1272	slee@jacksonkelly.com
Rose Broesevan	WV DEP	926.0499 x1608	926.0496	rbroesevan@wvdep.org
John Stump	Steele + Johnson	353.8196	353.8181	john.stump@steele-johnson.com
Barbara B Meadows	WRA	558.3612	558.0299	bmeadows@wvwda.org

The Authority requests that the following information concerning the individual who will be responsible for sending Debt Service Payments to the Municipal Bond Commission be provided. (If that individual is in attendance, he/she should also sign above.) Please Print:

Name Thomas Hatcher, Mayor Telephone 304.874.3950 E-Mail N/A

Address P.O. Box 280, War, West Virginia 24892

REMINDER: As a participant in this program, the Local Governmental Agency (LGA) agrees and is required to submit annually to the WDA a copy of its audited financial statements and a copy of its adopted budget. Also, pursuant to the Loan Agreement and the NonArbitrage Certificate (both of which are contained in the bond transcript) you are to provide annually to the WDA a rebate calculation certificate or an exception opinion showing whether a rebate amount is due to the US Government under arbitrage requirements in Section 148(f) of the US Internal Revenue Code, 1986, as amended.