PHASE III

TOWN OF WAR

Water Revenue Bonds, Series 2011 B
(United States Department of Agriculture)

BOND TRANSCRIPT

Table of Contents

BASIC DOCUMENTS

1. Bond Ordinance
2. Second Supplemental Resolution
3. United States Department of Agriculture Letter of Conditions
4. Public Service Commission Orders
5. United States Department of Agriculture Loan Resolution for Series 2011 B
6. Receipt for Bonds
7. Specimen Series 2011 B Bond
8. Registration Book

OPINIONS

9. Approving Opinion of Steptoe & Johnson PLLC, Bond Counsel for Series 2011 B Bonds
10. Opinion of Counsel to Issuer
11. Opinion of Special PSC Counsel

CERTIFICATES

12. Combined Certificate of Issuer and Attorney
13. A. Engineer's Certificate
    B. Project Budget

14. Certificate of Certified Public Accountant

DOCUMENTS OF THE ISSUER

15. Charter

16. Oaths of Office of Officers and Councilmembers

17. Rules of Procedure

18. Water Rate Ordinance

19. Affidavit of Publication for Notice of Public Hearing on Water Rate Ordinance

20. PSC Order Setting Water Rates

21. Affidavit of Publication on Bond Ordinance

22. Minutes on Adoption and Enactment of Bond Ordinance

23. Municipal Bond Commission New Issue Report

MISCELLANEOUS DOCUMENTS

24. United States Department of Agriculture Grant Agreements

25. Receipt of Depository Bank

26. Bureau for Public Health Permit

27. First Draw

28. Receipt and Release for Prior Notes

29. Sweep Resolution

30. Consent of West Virginia Water Development Authority

31. West Virginia Infrastructure & Jobs Development Council Approval

32. Series 2008 A Bond Ordinance
Series 2011 A Bond Ordinance

939100.00006

PHASE II & IV
PHASE III

TOWN OF WAR

Water Revenue Bonds, Series 2010 A; and
Water Revenue Bonds, Series 2010 B
(United States Department of Agriculture)

BOND ORDINANCE

Table of Contents

ARTICLE I
STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01 Authority for this Ordinance
Section 1.02 Findings and Determinations
Section 1.03 Bond Legislation Constitutes Contract
Section 1.04 Definitions

ARTICLE II
AUTHORIZATION OF PAYMENT, ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01 Authorization of Payment
Section 2.02 Authorization of Acquisition and Construction of the Project

ARTICLE III
AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BONDS

Section 3.01 Authorization of Bonds
Section 3.02 Description of Bonds
Section 3.03 Negotiability, Registration, Transfer and Exchange of Bonds
Section 3.04 Bond Registrar
Section 3.05 Execution of Bonds
Section 3.06 Bonds Mutilated, Destroyed, Stolen or Lost
Section 3.07 Bonds Secured by Pledge of Gross Revenues
Section 3.08 Form of Bond
FORM OF BOND SERIES 2010 A
FORM OF BOND SERIES 2010 B

ARTICLE IV
SYSTEM REVENUES AND APPLICATION THEREOF; DISPOSITION OF BOND PROCEEDS; FUNDS AND ACCOUNTS

Section 4.01 Establishment of Funds and Accounts with Depository Bank
Section 4.02 Establishment of Funds and Accounts with Commission
Section 4.03 Bond Proceeds; Project Construction Account
Section 4.04 Covenants of the Issuer as to System Revenues and Funds

ARTICLE V
GENERAL COVENANTS, ETC.

Section 5.01 General Statement
Section 5.02 Rates
Section 5.03 Sale of the System
Section 5.04 Issuance of Additional Parity Bonds or Obligations
Section 5.05 Insurance and Bonds
Section 5.06 Statutory Mortgage Lien
Section 5.07 Events of Default
Section 5.08 Enforcement
Section 5.09 Fiscal Year; Budget
Section 5.10 Covenant to Proceed and Complete
Section 5.11 Books and Records; Audits
Section 5.12 Maintenance of System
Section 5.13 No Competition

ARTICLE VI
RATES, ETC.

Section 6.01 Initial Schedule of Rates and Charges; Rules

ARTICLE VII
MISCELLANEOUS

Section 7.01 Payment of Bonds
Section 7.02 Modification or Amendment
Section 7.03 Delivery of Bonds
Section 7.04 Severability of Invalid Provisions
Section 7.05 Conflicting Provisions Repealed
Section 7.06 Table of Contents and Headings
Section 7.07 Covenant of Due Procedure, Etc.
Section 7.08 Statutory Notice and Public Hearing
Section 7.09 Effective Time
SIGNATURES
CERTIFICATION

PHASE II & IV
PHASE III

TOWN OF WAR

BOND ORDINANCE

ORDINANCE AUTHORIZING THE PAYMENT OF THE WATERWORKS SYSTEM DESIGN BOND ANTICPATION NOTES, SERIES 2009 A, THE PAYMENT OF THE WATERWORKS SYSTEM DESIGN BOND ANTICPATION NOTES, SERIES 2009 B AND THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING WATERWORKS SYSTEM OF THE TOWN OF WAR, AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED THEREOF, THROUGH THE ISSUANCE BY THE TOWN OF NOT MORE THAN $1,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2010 A (UNITED STATES DEPARTMENT OF AGRICULTURE); AND THROUGH THE ISSUANCE BY THE TOWN OF NOT MORE THAN $700,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2010 B (UNITED STATES DEPARTMENT OF AGRICULTURE); DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS ORDINANCE SHALL TAKE EFFECT

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 is adopted and enacted pursuant to the provisions of Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and other applicable provisions of law. The Town of War (the "Issuer") is a duly created and validly existing municipal corporation and political subdivision of the State of West Virginia in McDowell County of said State.

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

A. The Issuer now owns and operates a public waterworks system. The Project, as hereinafter defined, hereby authorized and provided for is public purpose of the Issuer and ordered for the purpose of meeting and serving public convenience and necessity.

B. The Issuer desires to pay the Waterworks Design Anticipation Notes, Series 2009 A, dated January 29, 2009, issued in the original aggregate principal amount of $306,500 (the "Series 2009 A Notes") and Waterworks Design Anticipation Notes, Series 2009 B, dated January 29, 2009, issued in the original aggregate principal amount of $140,000 (the "Series 2009 B Notes") (collectively, the "Prior Notes") and finance and acquire, construct, operate and maintain certain additions, improvements and extensions to such existing waterworks facilities with all appurtenant facilities, within the boundaries of the Issuer to be owned and operated by the Issuer.

C. The Issuer has temporarily financed the design and other preconstruction costs of the Project by the issuance of the Prior Notes.

D. The Prior Notes were issued pursuant to ordinances of the Issuer previously enacted for such purpose (such ordinance as supplemented and amended is herein called the "Prior Notes Ordinances").

E. It is deemed necessary and desirable for the Issuer to pay the Prior Notes.

F. It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the Issuer, and, accordingly, it is hereby ordered, that there be acquired and constructed certain additions, improvements and extensions to the existing waterworks facilities of the Issuer, consisting of improvements to the water system, together with all necessary appurtenances (collectively, the "Project"), particularly described in and according to the plans and specifications prepared by the Consulting Engineer and heretofore filed in the office of the Recorder of the Issuer. The existing waterworks facilities of the Issuer, together with the Project and any further additions, improvements or extensions thereto, are herein called the "System." The acquisition and construction of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

G. 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 on the Issuer's Prior Bonds and the Series 2010 A Bonds and to make payments into all funds and accounts and other payments provided for herein..

H. The estimated maximum cost to pay the Prior Notes and the acquisition and construction of the Project is $4,113,800, of which approximately $1,100,000 will be obtained from the proceeds of sale of the Series 2010 A Bonds and up to $400,000 will be obtained from the proceeds of the sale of the Series 2010 B Bonds, and $1,546,500 will be obtained as a grant from the Purchaser and $1,067,300 will be obtained as a grant from the Purchaser, all herein authorized.

I. It is necessary for the Issuer to issue its Water Revenue Bonds, Series 2010 A (the "Series 2010 A Bonds") in the total aggregate principal amount of not more than $1,500,000 to: (i) pay the Series 2009 A Notes; (ii) to pay a portion of the cost of such acquisition and construction; and (iii) to pay costs of issuance and related costs. It is necessary for the Issuer to issue its Water Revenue Bonds, Series 2010 B (United States Department of Agriculture) (the "Series 2010 B Bonds"), in the aggregate principal amount of not more than $700,000 (the Series 2010 B Bonds) to (i) pay the Series 2009 B Notes; (ii) to pay a portion of the cost of such acquisition and construction; and (iii) to pay costs of issuance and related costs. The Series 2010 A Bonds and Series 2010 B Bonds are collectively referred to as the Series 2010 Bonds. The cost of such acquisition and construction shall be deemed to include, without being limited to, the acquisition and construction of the Project; the cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the improvements and extensions thereto; interest on the Series 2010 Bonds prior to, during and for six months after completion of such acquisition and construction of the improvements and extensions; engineering, fiscal agents 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 Project, administrative expense, and such other expenses as may be necessary or incident to the financing herein authorized, and the acquisition and construction of the properties and the placement of same in operation; provided that, reimbursement to the Issuer for any amounts expended by it for the repayment of indebtedness incurred for costs of the Project by the Issuer shall be deemed costs of the Project.

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

K. Upon payment of the Prior Notes, there are outstanding obligations of the Issuer which will rank on a parity with the Series 2010 Bonds as to liens, pledge and source of and security for payment being 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 "Series 2008 A Bonds" or the "Prior Bonds").

The Series 2010 Bonds shall be issued on a parity with the Prior Bonds with respect to liens, pledge and source of and security for payment and in all other respects. Prior to the issuance of the Series 2010 Bonds, the Issuer will obtain: (i) a certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds have been met; and (ii) the written consent of the Holders of the Prior Bonds to the issuance of the Series 2010 Bonds on a parity with the Prior Bonds. Upon payment of the Prior Notes, other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System

L. It is in the best interest of the Issuer that the Series 2010 Bonds be sold to the Purchaser, pursuant to the terms and provisions of the Letters of Conditions, both dated July 30, 2008, and all amendments thereto, if any (collectively, the "Letter of Conditions").

M. The Issuer has complied with all requirements of law relating to the authorization of the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Series 2010 Bonds, or will have so complied prior to issuance of the Series 2010 Bonds,

including, among other things and without limitation, obtaining a certificate of public convenience and necessity and approval of the financing and necessary user rates and charges from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired or shall have been duly waived or otherwise provided for.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2010 Bonds by those who shall be the Registered Owner of the same from time to time, this Ordinance (the "Bond Legislation") shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owner, and the covenants and agreements set forth herein to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owner of the Series 2010 Bonds.

Section 1.04. Definitions. In addition to capitalized terms defined elsewhere herein, the following terms shall have the following meanings herein unless the text otherwise expressly requires:

"Act" means Chapter 8, Article 19 of the West Virginia Code of 1931, as amended.

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

"Bond Registrar" means the Issuer, which shall usually so act by its Recorder.

"Bonds" means the Series 2010 Bonds.

"Closing Date" means the date upon which there is an exchange of the Series 2010 Bonds for the proceeds, or at least a de minimus portion, thereof representing the purchase price of the Series 2010 Bonds from the Purchaser.

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

"Consulting Engineer" means Olver, Inc., Blacksburg Virginia, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the Issuer as Consulting Engineer for the System.

"Depository Bank" means the bank designated as such in the Supplemental Resolution, and its successors and assigns, which shall be a member of FDIC.

"Facilities" or "waterworks facilities" means all the tangible properties of the System and also any tangible properties which may hereafter be added to the System by additions, betterments, extensions and improvements thereto and properties, furniture, fixtures or equipment therefor, hereafter at any time constructed or acquired.

"FDIC" means the Federal Deposit Insurance Corporation.

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

"Governing Body" or "Council" means the Council of the Issuer.

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

"Herein" or "herein" means in this Bond Legislation.

"Issuer" or "Borrower" means the Town of War, a municipal corporation and political subdivision of the State of West Virginia, in McDowell County, West Virginia, and includes the Governing Body of the Issuer.

"Letter of Conditions" means, collectively, the Letters of Conditions of the Purchaser both dated July 30, 2008, and all amendments thereto, if any.

"Minimum Reserve" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2010 Bonds in the then current or any succeeding year.

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

"Operating Expenses" means the current expenses, paid or accrued, of operation and maintenance of the System and its facilities, and includes, without limiting the generality of the foregoing, insurance premiums, salaries, wages and administrative expenses of the Issuer relating and chargeable solely to the System, the accumulation of appropriate reserves for charges not annually recurrent but which are such as may reasonably be expected to be incurred, and such other reasonable operating costs as are normally and regularly included under recognized accounting principles and retention of a sum not to exceed one-sixth of the budgeted Operating Expenses stated above for the current year as working capital, and language herein requiring payment of Operating Expenses means also retention of not to exceed such sum as working capital; provided that, all monthly amortization payments upon the Bonds and into the Reserve Fund and Depreciation Reserve have been made to the last monthly payment date prior to the date of such retention.

"Prior Bonds" means the Series 2008 A Bonds.

"Prior Notes" means collectively, the Series 2009 A Notes and Series 2009 B Notes..

"Prior Notes Ordinances" means the ordinances authorizing the Prior Notes.

"Prior Ordinance" means the ordinance authorizing the Prior Bonds.

"Project" shall have the meaning stated in Section 1.02E above.

"Purchaser" or "Government" means United States Department of Agriculture, Rural Utilities Service, and any successor thereof, acting for and on behalf of the United States of America.

"Qualified Investments" means and includes any of the following, to the extent such investments are permitted by law:

(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 (hereinbefore defined) or Federal Savings and Loan Insurance Corporation, shall be secured by a pledge of Government Obligations, provided, that said Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time accounts or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time accounts;

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

(g) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (e) above, with banks or national banking associations which are members of FDIC or with

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

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

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

"Recorder" means the Recorder of the Issuer.

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

"Revenues" or "Gross Revenues" means all rates, rents, fees, charges or other income received by the Issuer, or accrued to the Issuer, or any department, board, agency or instrumentality thereof in control of the management and operation of the System, from the operation of the System, and all parts thereof, all as calculated in accordance with sound accounting practices.

"Series 2008 A Bonds" means 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.

"Series 2009 A Notes" means the Issuer's Waterworks Design Bond Anticipation Notes, Series 2009 A, issued to United Bank, Inc on January 29, 2009 in the original aggregate principal amount of $306,500.

"Series 2009 B Notes" means the Issuer's Waterworks Design Bond Anticipation Notes, Series 2009 B, issued to United Bank, Inc on January 29, 2009 in the original aggregate principal amount of $140,000.

"Series 2010 Bonds" means, collectively, the Series 2010 A Bonds and the Series 2010 B Bonds.

"Series 2010 A Bonds" means the Water Revenue Bonds, Series 2010 A (United States Department of Agriculture), authorized hereby to be issued pursuant to this Bond Legislation.

"Series 2010 B Bonds" means the Water Revenue Bonds, Series 2010 B (United States Department of Agriculture), authorized hereby to be issued pursuant to this Bond Legislation.

"Series 2010 A Bonds Reserve Account" means, Series 2010 A Bonds Reserve Account as established in Section 4.02.

"Series 2010 B Bonds Reserve Account" means, Series 2010 B Bonds Reserve Account as established in Section 4.02.

"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.

"System" means the complete public waterworks system of the Issuer, presently existing in its entirety or any integral part thereof, and shall include the Project and any improvements and extensions 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.

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

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT AND PAYMENT OF THE PRIOR NOTES.

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated total cost of not more than $4,113,800, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 2010 Bonds hereby authorized shall be applied as provided in Article IV hereof.

Section 2.02 Authorization of Payment of the Prior Notes. A. There is hereby authorized and ordered the payment in full of the entire principal of and interest on the Series 2009 A Notes on the Closing Date, the cost of which will be paid from the proceeds of the Series 2010 A Bonds. Upon payment of the Series 2009 A Notes, any funds pledged in favor of the holders of the Series 2009 A Notes imposed by the Prior Notes Ordinances are hereby ordered terminated, discharged and released.

B. There is hereby authorized and ordered the payment in full of the entire principal of and interest on the Series 2009 B Notes on the Closing Date, the cost of which will be paid from the proceeds of the Series 2010 B Bonds. Upon payment of the Series 2009 B Notes, any funds pledged in favor of the holders of the Series 2009 B Notes imposed by the Prior Notes Ordinances are hereby ordered terminated, discharged and released.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BONDS

Section 3.01. Authorization of Bonds. Subject and pursuant to the provisions of the Bond Legislation, the Series 2010 Bonds of the Issuer, to be known as the "Water Revenue Bonds, Series 2010 A (United States Department of Agriculture)," are hereby authorized to be issued in the principal amount of not more than $1,500,000 for the purpose of (i) financing a portion of the cost of the acquisition and construction of the Project; (ii) paying the Series 2009 A Notes; and (iii) paying certain costs of issuance and related costs not otherwise provided for, or any all of such purposes, and the "Water Revenue Bonds, Series 2010 B (United States Department of Agriculture)," are hereby authorized to be issued in the principal amount of not more than $700,000, for the purpose of (i) financing a portion of the cost of the acquisition and construction of the Project; (ii) paying the Series 2009 B Notes; and (iii) paying certain costs of issuance and related costs not otherwise provided for.

Section 3.02. Description of Bonds. A. The Series 2010 A Bonds shall be issued in single form, numbered AR-1, only as a fully registered Bond in an original aggregate principal amount to be prescribed in the Supplemental Resolution and shall be dated on the date of delivery thereof. The Series 2010 A Bonds shall bear interest from date of delivery, payable monthly at the rate not to exceed 2.75% per annum, which interest rate shall be prescribed in the Supplemental Resolution and shall be sold for the par value thereof.

The Series 2010 A Bonds shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer, and shall be payable as provided in the Bond form hereinafter set forth.

B. The Series 2010 B Bonds shall be issued in one or more series, numbered BR-1, only as a fully registered Bond in an original aggregate principal amount to be prescribed in the Supplemental Resolution and shall be dated on the date of delivery thereof. The Series 2010 B Bonds shall bear interest from date of delivery, payable monthly at the rate

not to exceed 2.75% per annum, which interest rate shall be prescribed in the Supplemental Resolution and shall be sold for the par value thereof.

The Series 2010 A Bonds shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer, and shall be payable as provided in the Bond form hereinafter set forth.

Section 3.03. Negotiability, Registration, Transfer and Exchange of Bonds. The Series 2010 Bonds shall be and have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but the Series 2010 Bonds, and the right to principal of and stated interest on the Series 2010 Bonds, may only be transferred by transfer of the registration thereof upon the books required to be kept pursuant to Section 3.04 hereof, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Series 2010 Bonds for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Bond Registrar.

Whenever the Series 2010 Bonds shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond or Bonds in authorized denominations, for a like aggregate principal amount. The Bond Registrar shall require the payment by the new owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, but the Issuer shall pay any other expenses incurred by the Bond Registrar with respect to such transfer.

No registration of transfer of the Series 2010 Bonds shall be permitted to be made after the 15th day next preceding any installment payment date on the Series 2010 Bonds.

Section 3.04. Bond Registrar. The Issuer shall be the Bond Registrar and will keep, or cause to be kept by its agent, at its office, sufficient books for the registration and transfer of the Series 2010 Bonds, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Series 2010 Bonds initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Series 2010 Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 2010 Bonds for registration or transfer only if ownership thereof is to be registered in the name of the Purchaser, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law. The Series 2010 Bonds shall initially be fully registered as to both principal and interest in the name of the United States of America. So long as the Series 2010 Bonds shall be registered in the name of the United States of America, the address of the United States of America for registration purposes shall be National Finance Office, St. Louis, Missouri 63103, or such other address as shall be stated in writing to the Issuer by the United States of America.

Section 3.05. Execution of Bonds. The Series 2010 Bonds shall be executed in the name of the Issuer by the Mayor and its corporate seal shall be affixed thereto and attested by the Recorder. In case any one or more of the officers who shall have signed or sealed the Series 2010 Bonds shall cease to be such officer of the Issuer before the Series 2010 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. The Series 2010 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 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Series 2010 Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bonds or in lieu of and substitution for the Bonds destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Series 2010 Bonds so surrendered shall be canceled and held for the account of the Issuer. If the Series 2010 Bonds shall have matured or be about to mature, instead of issuing a substitute Bond the Issuer may pay the same, and, if such Bond be destroyed, stolen or lost, without surrender thereof.

Section 3.07. Bonds Secured by Pledge of Gross Revenues; Lien Position with respect to Prior Bonds. The payment of the debt service on the Series 2010 A Bonds shall be secured by a first lien on the Gross Revenues derived from the System, on a parity with the Prior Bonds. The Gross Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bonds, and to make all other payments hereinafter set forth, are hereby irrevocably pledged to such payments as they become due.

Section 3.08. Form of Bond. Subject to the provisions hereof, the text of the Series 2010 Bonds and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted hereby or by any ordinance enacted after the date of enactment hereof and prior to the issuance thereof:

[Remainder of Page Intentionally Blank]

(FORM OF SERIES 2010 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF WAR
WATER REVENUE BONDS, SERIES 2010 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

$_____

No. AR-1 Date: _____, 2010

FOR VALUE RECEIVED, the TOWN OF WAR (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of _____ DOLLARS ($_____), plus interest on the unpaid principal balance at the rate of _____% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and $_____, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

While this Bond is held by an insured lender, prepayments as above authorized made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective

date of every payment made by Borrower, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Borrower and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

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

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

This Bond is issued to (i) pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing public waterworks system of the Issuer, (ii) pay the Waterworks System Bond Anticipation Notes, Series 2009 A Notes, (the "Series 2009 A Notes"); and (iii) to pay costs of issuance and related costs.

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of additions, extensions and improvements to the waterworks system (the "System") of the Borrower, is payable solely from the Gross Revenues to be derived from the operation of the System. This Bond does not in any manner constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provision or limitation.

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

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 8, Article 19 of the

West Virginia Code, as amended (the "Act"), and an Ordinance of the Borrower duly enacted on _____, 2010 as supplemented by Supplemental Resolution of the Issuer duly adopted on _____, 2010, authorizing issuance of this Bond (collectively, the "Ordinance").

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

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farm and Rural Development Act of 1965, as amended. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ISSUED ON A PARITY, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE BORROWER'S: WATER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED JUNE 26, 2008, IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $215,300 (THE "SERIES 2008 A BONDS" OR THE "PRIOR BONDS"); AND WATER REVENUE BONDS, SERIES 2010 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED _____, 2010, ISSUED IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____, (THE "SERIES 2010 B BONDS") ISSUED SIMULTANEOUSLY HEREWITH.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the TOWN OF WAR has caused this Bond to be executed by its Mayor and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Recorder, all as of the date hereinabove written.

TOWN OF WAR

[CORPORATE SEAL]

_____
Mayor

War, West Virginia

ATTEST:

_____
Recorder

EXHIBIT A

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(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 $_____

(Form of Assignment)

ASSIGNMENT

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

Dated: _____, 20___.

_____

In the presence of:

_____

(FORM OF SERIES 2010 B BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF WAR
WATER REVENUE BONDS, SERIES 2010 B
(UNITED STATES DEPARTMENT OF AGRICULTURE)

$_____

No. BR-1 Date: _____, 2010

FOR VALUE RECEIVED, the TOWN OF WAR (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of _____ DOLLARS ($_____), plus interest on the unpaid principal balance at the rate of _____% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and $_____, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

While this Bond is held by an insured lender, prepayments as above authorized made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective

date of every payment made by Borrower, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Borrower and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

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

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

This Bond is issued to (i) pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing public waterworks system of the Issuer, (ii) pay the Waterworks System Bond Anticipation Notes, Series 2009 B Notes (the "Series 2009 B Notes"); and (iii) pay costs of issuance and related costs.

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of additions, extensions and improvements to the waterworks system (the "System") of the Borrower, is payable solely from the Gross Revenues to be derived from the operation of the System. This Bond does not in any manner constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provision or limitation.

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

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 8, Article 19 of the

West Virginia Code, as amended (the "Act"), and a Ordinance of the Borrower duly adopted _____, 2010 as supplemented by Supplemental Resolution duly adopted by the Issuer on _____, 2010, authorizing issuance of this Bond (the "Ordinance").

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

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farm and Rural Development Act of 1965, as amended. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ISSUED ON A PARITY, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE BORROWER'S: WATER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED JUNE 26, 2008, IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $215,300 (THE "SERIES 2008 A BONDS" OR THE "PRIOR BONDS"); AND SERIES 2010 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED _____, 2010, ISSUED IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____, (THE "SERIES 2010 A BONDS") ISSUED SIMULTANEOUSLY HEREWITH.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the TOWN OF WAR has caused this Bond to be executed by its Mayor and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Recorder, all as of the date hereinabove written.

TOWN OF WAR

[CORPORATE SEAL]

_____
Mayor

War, West Virginia

ATTEST:

_____
Recorder

EXHIBIT A

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(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 $

(Form of Assignment)

ASSIGNMENT

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

Dated: _____, 20___.

_____

In the presence of:

_____

ARTICLE IV

SYSTEM REVENUES AND APPLICATION THEREOF; DISPOSITION OF BOND PROCEEDS; FUNDS AND ACCOUNTS

Section 4.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created (or continued if created by Prior Ordinance) with and shall be held by the Depository Bank, separate and apart from all other funds or accounts of the Depository Bank and from each other:

(1) Revenue Fund (established by Prior Ordinance);

(2) Renewal and Replacement Fund (established by Prior Ordinance); and

(3) Project Construction Account.

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

~~(1) Series 2008 A Bonds Sinking Fund (established by Prior Ordinance);~~

(2) Series 2008 B Bonds Reserve Account (established by Prior Ordinance);

(3) Series 2010 A Bonds Reserve Account; and

(4) Series 2010 B Bonds Reserve Account.

Section 4.03. Bond Proceeds; Project Construction Account. The proceeds of the sale of the Series 2010 Bonds shall be deposited upon receipt by the Issuer in the Project Construction Account. The monies in the Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by the Depository Bank by securities or in a manner lawful for the securing of deposits of State and municipal funds under West Virginia law. Monies in the Project Construction Account shall be expended by the Issuer solely for the purposes provided herein.

Monies in the Project Construction Account shall be used solely to pay the cost of acquisition and construction of the Project upon vouchers and other documentation approved by the Purchaser.

Until completion of acquisition and construction of the Project, the Issuer will additionally transfer from the Project Construction Account and pay to the Purchaser on or before the due date, such sums as shall be from time to time required to make the monthly installments on the Series 2010 Bonds if there are not sufficient Gross Revenues to make such monthly payment.

Pending application as provided in this Section 4.03, money and funds in the Project Construction Account shall be invested and reinvested at the direction of the Issuer, to the extent possible in accordance with applicable law, in Qualified Investments.

When acquisition and construction of the Project has been completed and all costs thereof have been paid or provision for such payment has been made, any balance remaining in the Project Construction Account shall be disposed of in accordance with the regulations of the Purchaser.

Section 4.04. Covenants of the Issuer as to System Revenues and Funds. So long as any of the Series 2010 Bonds shall be outstanding and unpaid, or until there shall have been set apart in the respective Series 2010 Bonds Reserve Account, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the respective Series 2010 Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the Holders of the Series 2010 Bonds as follows:

A. REVENUE FUND. The entire Gross Revenues derived from the operation of the System, and all parts thereof, and all Tap Fees received, shall be deposited as collected by the Issuer in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in the Ordinance and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner provided in the Ordinance.

B. DISPOSITION OF REVENUES. All Revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority:

(1) The Issuer shall first, each month, on or before the due date of payment of each installment on the Series 2010 Bonds, transfer from the Revenue Fund and simultaneously (i) beginning 30 days following the Closing Date, remit to the National Finance Office, the amounts required to pay the interest on the Series 2010 A Bonds. Beginning on the 24th monthly anniversary of the Closing Date and continuing on each monthly anniversary of the Closing Date thereafter, the Issuer shall transfer from the Revenue Fund and remit to the National Finance Office the amounts required to amortize the interest on the Series 2010 A Bonds over the life of the Bond issue; and (ii) beginning 30 days following the Closing Date, remit to the National Finance Office, the amounts required to pay the interest on the Series 2010 B Bonds. Beginning on the 24th monthly anniversary of the Closing Date and continuing on each monthly anniversary of the Closing Date thereafter, the Issuer shall transfer from the Revenue Fund and remit to the National Finance Office the amounts required to amortize the interest on the Series 2010 B Bonds over the life of the Bond issue. All payments with respect to

principal of and interest the Series 2010 Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(2) The Issuer shall first, each month, on or before the due date of payment of each installment on the Prior Bonds and the Series 2010 Bonds, transfer from the Revenue Fund and simultaneously (i) remit to the Commission the amount required by Prior Ordinance to pay principal on the Prior Bonds; (ii) beginning on the 24th monthly anniversary of the Closing Date and continuing on each monthly anniversary of the Closing Date thereafter, the Issuer shall transfer from the Revenue Fund and remit to the National Finance Office the amounts required to pay principal of the Series 2010 A Bonds over the life of the Bond issue; and (iii) beginning on the 24th monthly anniversary of the Closing Date and continuing on each monthly anniversary of the Closing Date thereafter, the Issuer shall transfer from the Revenue Fund and remit to the National Finance Office the amounts required to pay principal of the Series 2010 B Bonds over the life of the Bond issue. All payments with respect to principal of and interest the Prior Bonds and the Series 2010 Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(3) The Issuer shall next, transfer from the Revenue Fund and simultaneously remit (i) to the Commission the amount required by Prior Ordinance for the Series 2008 A Reserve Account; (ii) beginning on the date specified by the Purchaser, but in any event not later than the 24th monthly anniversary of the Closing Date, and continuing on each monthly anniversary of the Closing Date thereafter, transfer from the Revenue Fund and remit to the Commission for deposit into the Series 2010 A Bonds Reserve Account, 10% of the monthly payment amount, calculated monthly, until the amount in the Series 2010 A Bonds Reserve Account equals the Minimum Reserve; provided that, no further payments shall be made into the Series 2010 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 Minimum Reserve; and (iii) beginning on the date specified by the Purchaser, but in any event not later than the 24th monthly anniversary of the Closing Date, and continuing on each monthly anniversary of the Closing Date thereafter, transfer from the Revenue Fund and remit to the Commission for deposit into the Series 2010 B Bonds Reserve Account, 10% of the monthly payment amount, calculated monthly, until the amount in the Series 2010 B Bonds Reserve Account equals the Minimum Reserve; provided that, no further payments shall be

made into the Series 2010 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Minimum Reserve. Monies in the respective Series 2010 Bonds Reserve Accounts shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Series 2010 Bonds to the National Finance Office as the same shall become due or for prepayment of installments on the Series 2010 Bonds, or for mandatory prepayment of the Series 2010 Bonds as hereinafter provided, and for no other purpose; provided, however, earnings from monies in the respective Series 2010 Bonds Reserve Accounts, so long as the Series 2010 Bonds Reserve Requirement is on deposit and maintained therein, shall be returned not less than once each year, by the Commission to the Issuer, to be deposited in the Revenue Fund.

(4) The Issuer shall next, each month, pay from the Revenue Fund the Operating Expenses of the System.

(5) 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 accordance with Article VIII hereof. 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.

(6) After all the foregoing provisions for use of monies in the Revenue Fund have been fully complied with, any monies remaining therein and not permitted to be retained therein may be used to prepay installments of the Prior Bonds and the Series 2010 Bonds, pro rata, or for any lawful purpose.

Whenever the money in the Series 2010 A Bonds Reserve Account shall be sufficient to prepay the Series 2010 A Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Series 2010 A Bonds at the earliest practical date and in accordance with applicable provisions hereof.

Whenever the money in the Series 2010 B Bonds Reserve Account shall be sufficient to prepay the Series 2010 B Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Series 2010 B Bonds at the earliest practical date and in accordance with applicable provisions hereof.

The Commission is hereby designated as the Fiscal Agent for the administration of the Series 2010 Bonds Reserve Accounts as herein provided, and all amounts required for the Series 2010 Bonds Reserve Accounts will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein. If required by the Purchaser at anytime, the Issuer shall make the necessary arrangements whereby required payments into said account shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

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 reserve account payments with respect to the 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.

The Revenue Fund and the Renewal and Replacement Fund shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien on a parity with the Prior Bonds thereon for further securing payment of the Series 2010 Bonds and prior Bonds and the interest thereon, but the Depository Bank shall not be a trustee as to such funds.

If on any payment date the Revenues are insufficient to make the payments and transfers as hereinabove provided, the deficiency shall be made up in the subsequent payments and transfers in addition to those which would otherwise be required to be made on the subsequent payment dates.

Principal, interest or reserve payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the prior Bonds and the Series 2010 Bonds, in accordance with the respective principal amounts then Outstanding.

The Commission, at the direction of the Issuer, shall keep the monies in the Series 2010 Bonds Reserve Accounts invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities

consonant with the required use thereof. Investments in any fund or account under this Bond Legislation shall, unless otherwise provided herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia Board of Treasury Investments. 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 interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. Earnings from monies in the Series 2010 Bonds Reserve Accounts, so long as the Minimum Reserve is on deposit and maintained therein, shall be returned not less than once each year, by the Commission to the Issuer, to be deposited in the Revenue Fund.

C. CHANGE OF DEPOSITORY BANK. The Issuer may designate another bank or trust company insured by FDIC as Depository Bank if the Depository Bank should cease for any reason to serve or if the Governing Body determines by resolution that the Depository Bank or its successor should no longer serve as Depository Bank. Upon any such change, the Governing Body will cause notice of the change to be sent by registered or certified mail to the Purchaser and the Holder of the Prior Bonds.

D. USER CONTRACTS. The Issuer shall, prior to delivery of the Series 2010 Bonds, provide evidence that there will be at least _____ bona fide users upon the Project on completion, in full compliance with the requirements and conditions of the Purchaser.

E. CHARGES AND FEES. The Issuer shall remit from the Revenue Fund to the Commission or the Depository Bank such additional sums as shall be necessary to pay the charges and fees of the Commission or the Depository Bank then due.

F. INVESTMENT OF EXCESS BALANCES. The monies in excess of the sum insured by FDIC in any of such funds or accounts shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State of West Virginia.

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

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

ARTICLE V

GENERAL COVENANTS, ETC.

Section 5.01. General Statement. So long as the Series 2010 Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2010 Bonds Reserve Accounts a sum sufficient to prepay the entire principal of the Series 2010 Bonds remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the Issuer and the Holder of the Series 2010 Bonds.

Section 5.02. Rates. Prior to the issuance of the Series 20010 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 on the Series 2010 Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2010 Bonds including the Prior Bonds; provided that, in the event that, an amount equal to or in excess of the Reserve Requirement is on deposit in the respective Series 2010 Bonds Reserve Accounts and any reserve accounts for obligations on a parity with the Series 2010 Bonds are funded at least at the requirement therefor, such sum need only equal 110% of the maximum amount required in any year for payment of principal of and interest on the Series 2010 Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2010 Bonds.

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

Section 5.03. Sale of the System. So long as the Prior Bonds are outstanding, the Issuer shall not sell, lease, mortgage or in any manner dispose of or encumber the System, or any part thereof, except as provided in the Prior Ordinances. The System will not

be sold without the prior written consent of the Purchaser so long as the Series 2010 Bonds are outstanding. Such consent will provide for disposition of the proceeds of any such sale.

Section 5.04. Issuance of Additional Parity Bonds or Obligations. So long as the Series 2010 A Bonds or Series 2010 B Bonds are outstanding, no Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Recorder a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues for the Fiscal year following the year in which such Parity Bonds are to be issued shall be at least 120% of the average annual debt service requirements on the following:

(1) The Prior Bonds and the Bonds Outstanding;

(2) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Bond Legislation then Outstanding;

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

No additional Parity Bonds or obligations payable out of any of the Revenues of the System shall be issued, except with the prior written consent of the Purchaser.

So long as the Series 2008 A Bonds are outstanding, no Parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Recorder a written statement by Independent Certified Public Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustment hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such additional Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall not be less than 115%, of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

(1) The Bonds then Outstanding;

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

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

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

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

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

Section 5.05. Insurance and Bonds. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System, procure, carry and maintain, so long as the Series 2010 Bonds remain outstanding, insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

(a) Fire, Lightning, Vandalism, Malicious Mischief and Extended Coverage Insurance, to be procured upon acceptance of any part of the Project from the contractor, and immediately upon any portion of the System now in use, on all above-ground structures of the System and mechanical and electrical equipment in place or stored on the site in an amount equal to the full insurable value thereof. In the event of any damage to or destruction of any portion of the System, the Issuer will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damaged or destroyed portion. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the Issuer during construction of the Project in the full insurable value thereof.

(b) Public Liability Insurance, with limits of not less than $500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than $200,000 to protect the Issuer from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured not later than the date of delivery of the Series 2010 Bonds.

(c) Vehicular Public Liability Insurance, in the event the Issuer owns or operates any vehicle in the operation of the System, or in the

event that any vehicle not owned by the Issuer is operated at any time or times for the benefit of the Issuer, with limits of not less than $500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than $200,000 to protect the Issuer from claims for damage to property of others which may arise from such operation of vehicles, such insurance to be procured prior to acquisition or commencement of operation of any such vehicle for the Issuer.

(d) Workers' Compensation Coverage for All Employees of the Town Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each prime contractor, and such payment bonds have been or will be filed with the Clerk of the County Commission of said County prior to commencement of construction of the Project in compliance with West Virginia Code Section 38-2-39. Workers' compensation coverage shall be maintained as required by the laws of the State of West Virginia.

(e) Flood Insurance to be procured, to the extent available at reasonable cost to the Issuer; however, if the System is located in a community which has been notified as having special flood or ~~mudslide prone areas, flood insurance must be obtained.~~

(f) Fidelity Bonds will be provided as to every member of the Governing Body and as to every officer and employee thereof having custody of the Revenue Fund or of any revenues or other funds of the Issuer in such amount as may be requested by the Purchaser from time to time.

(g) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, during construction of the Project and so long as the Series 2010 Bonds or Prior Bonds are outstanding, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer, and during such construction will require each contractor and subcontractor to carry insurance, of such types and in such amounts as the Purchaser may specify, with insurance carriers or bonding companies acceptable to the Purchaser.

Section 5.06. Statutory Mortgage Lien. So long as the Prior Bonds are Outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of or encumber the System, or any part thereof, except as provided in the Prior Ordinance. Additionally, the System will not be sold without the prior written consent of the Purchaser so long as the Series 2010 Bonds are outstanding.

Section 5.07. Events of Default. Each of the following events is hereby declared an "Event of Default":

(a) Failure to make payment of any monthly amortization installment upon the Series 2010 Bonds at the date specified for payment thereof;

(b) Failure to duly and punctually observe or perform any of the covenants, conditions and agreements on the part of the Issuer contained in the Series 2010 Bonds or herein, or violation of or failure to observe any provision of any pertinent law, and

(c). If default occurs with respect to the Prior Bonds or the Prior Ordinance.

Section 5.08. Enforcement. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such 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 Series 2010 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 Series 2010 Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Series 2010 Bonds, or the rights of such Registered Owners; provided that, all rights and remedies of the Holders of the Series 2010 Bonds shall be on a parity with those of the Holders of the Prior Bonds.

Any Registered Owner of the Bonds, by proper legal action, compel the performance of the duties of the Issuer under this 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 the Bonds shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other 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 exercise.

Whenever all that is due upon the Bonds and interest thereon and under any covenants of this Bond Legislation for reserve, sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the revenues of the System shall have been paid and made good, and all defaults under the provisions of this Bond Legislation shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any 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 the System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

Section 5.09. Fiscal Year; Budget. While the Series 2010 Bonds are outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a Fiscal Year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than 30 days prior to the beginning of each Fiscal Year, the Issuer agrees to adopt the Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each Fiscal Year.

If for any reason the Issuer shall not have adopted the Annual Budget before the 1st day of any Fiscal Year, it shall adopt a Budget of Current Expenses from month to month until the adoption of the Annual Budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the next year preceding by more than 10%; and provided further, that adoption of a Budget of Current Expenses shall not constitute compliance with the covenant to adopt an Annual Budget unless failure to adopt an Annual Budget be for a reason beyond the control of the Issuer. Each such Budget of Current Expenses shall be mailed immediately to the Purchaser.

Section 5.10. Covenant to Proceed and Complete. The Issuer hereby covenants to proceed as promptly as possible with the acquisition and construction of the Project to completion thereof in accordance with the plans and specifications prepared by the Consulting Engineer on file with the Recorder on the date of adoption hereof, subject to permitted changes.

Section 5.11. Books and Records; Audits. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and the Purchaser shall have the right at all reasonable times to inspect the System and all records, accounts and data of the Issuer relating thereto.

The Issuer shall, at least once a year, cause said books, records and accounts of the System to be properly audited by an independent competent firm of certified public accountants and shall mail a copy of such audit report to the Purchaser. The Issuer shall further comply with the Act with respect to such books, records and accounts.

Section 5.12. Maintenance of System. The Issuer covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as the Series 2010 Bonds are outstanding.

Section 5.13. No Competition. To the extent legally allowable, the Issuer will not permit competition with the System within its boundaries or within the territory served by it and will not grant or cause, consent to or allow the granting of any franchise, permit or other authorization for any person, firm, corporation, public or private body, agency or instrumentality whatsoever to provide any of the services supplied by the System within the boundaries of the Issuer or within the territory served by the System.

ARTICLE VI

RATES, ETC.

Section 6.01. Initial Schedule of Rates and Charges; Rules. A. The initial schedule of rates and charges for the services and facilities of the System, subject to change consonant with the provisions hereof, shall be as set forth in a water rate ordinance of the Issuer enacted March 7, 2010 as amended by Recommended Decision dated July 16, 2010 in Case No. 10-0534-W-MA of the Public Service Commission of West Virginia which rates are incorporated herein by reference as a part hereof.

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

C. All delinquent fees, rates and charges for services or facilities of the System shall be liens on the premises served of equal degree, rank and priority with the lien on such premises of state, county, school and municipal taxes, as provided in the Act. The Issuer shall

have all remedies and powers provided under the Act and other applicable provisions of law with regard to the collection and enforcement of such fees, rates and charges.

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

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

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

ARTICLE VII

MISCELLANEOUS

Section 7.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid, to the Holder of the Series 2010 Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 2010 Bonds, 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 Owner of the Series 2010 Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied.

Except through such direct payment to the Holder of the Series 2010 Bonds, the Issuer may not defease the Series 2010 Bonds or otherwise provide for payment thereof by escrow or like manner.

Section 7.02. Modification or Amendment. Prior to issuance of the Series 2010 Bonds, this Ordinance may be amended or supplemented in any way by ordinance or resolution. Following issuance of the Series 2010 Bonds, no modification or amendment of this Ordinance, or any ordinance or resolution amendatory hereof or supplemental hereto, shall be made without the prior written consent of the Purchaser.

Section 7.03. Delivery of Bonds. The Mayor is hereby authorized and directed to cause the Series 2010 Bonds, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

Section 7.04. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions hereof should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed severable from the remaining covenants, agreements or provisions hereof, and shall in no way affect the validity of all the other provisions hereof or the Series 2010 Bonds.

Section 7.05. Conflicting Provisions Repealed. Except for the Prior Ordinance, all ordinances, resolutions and orders, or parts thereof, in conflict with the provisions hereof are, to the extent of such conflicts, hereby repealed; provided that this section shall not be applicable to the Loan Resolution (Form FmHA 442-47).

Section 7.06. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 7.07. 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 and enactment of this Ordinance do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required ~~by and in full compliance with the laws and Constitution of the State of West Virginia~~ applicable thereto; and that the Mayor, 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 7.08. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Bond Legislation, determined by the Council to contain sufficient information as to give notice of the contents hereof, shall be published once a week for two successive weeks within a period of fourteen consecutive days, with at least six full days intervening between each publication, in *Welch Daily News* being qualified newspapers of general circulation in the Town of War, no newspaper being published therein, together with a notice stating that this Ordinance has been adopted, and that the Issuer contemplates the issuance of the Bonds, and that any person interested may appear before the Council upon a date certain, not less than ten days subsequent to the date of the first publication of the said abstract and notice and not prior to the last date of such publication, and present protests, and that a certified copy of the Ordinance is on file in the office of the Recorder of the Issuer for review by interested parties during regular office hours. At such hearing, all objections and suggestions shall e heard and the Council shall take such action as it shall deem proper in the premises.

[Remainder of Page Intentionally Blank]

Section 7.09. Effective Time. This Bond Legislation shall take effect following public hearing hereon in accordance with the Act.

Passed on First Reading:	October 20, 2010
Passed on Second Reading:	November 17, 2010
Passed on Final Reading Following Public Hearing:	December 15, 2010

Thomas C. Hatcher
Mayor

CERTIFICATION

Certified a true copy of an Ordinance duly enacted by the Council of the TOWN OF WAR on the 15th day of December, 2010.

Dated: January 27, 2011.

[SEAL]

Peggy Reed

Recorder

PHASE III

TOWN OF WAR

Water Revenue Bonds, Series 2011 B
(United States Department of Agriculture)

SECOND SUPPLEMENTAL RESOLUTION

SECOND SUPPLEMENTAL RESOLUTION MAKING PROVISIONS 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 2011 B OF THE TOWN OF WAR, 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, December 15, 2010 (the "Bond Ordinance"), entitled:

ORDINANCE AUTHORIZING THE PAYMENT OF THE WATERWORKS SYSTEM DESIGN BOND ANTICPATION NOTES, SERIES 2009 A, THE PAYMENT OF THE WATERWORKS SYSTEM DESIGN BOND ANTICPATION NOTES, SERIES 2009 B AND THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING WATERWORKS SYSTEM OF THE TOWN OF WAR, AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED THEREOF, THROUGH THE ISSUANCE BY THE TOWN OF NOT MORE THAN $1,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2010 A (UNITED STATES DEPARTMENT OF AGRICULTURE); AND THROUGH THE ISSUANCE BY THE TOWN OF NOT MORE THAN $700,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2010 B (UNITED STATES DEPARTMENT OF AGRICULTURE); DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS ORDINANCE SHALL TAKE EFFECT

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 2011 B, of the Issuer (the "Series 2011 B Bonds"), in an aggregate principal amount not to exceed $700,000, and has authorized the execution and delivery of the documents relating to the Bonds, all in accordance with Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (collectively, the "Act");

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE 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 following bonds of the Issuer:

A. Water Revenue Bonds, Series 2011 B (United States Department of Agriculture), of the Issuer, originally represented by a single Bond, numbered BR-1 in the principal amount of $400,000 The Series 2011 B Bonds shall be dated the date of delivery thereof, shall bear interest at the rate of 2.5% per annum, interest only payable in monthly installments for the first 12 months commencing 30 days following delivery of the Series 2011 B Bonds and continuing on the corresponding day of each month and, thereafter, principal and interest are payable in monthly installments of $1,360 on the corresponding day of each month, except that the final installment shall be paid at the end of forty (40) years from the date of the Series 2011 B Bonds, in the sum of the unpaid principal and interest due on the date thereof, except that prepayments may be made as hereinafter provided and as provided in the Series 2011 B Bonds, all such payments to be made at the National Finance Office, St. Louis, Missouri 63103, or at such other place as the Purchaser may designate after issuance of the Series 2011 B Bonds. Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the Issuer.

Section 2. 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 January 27, 2011, to the Purchaser.

Section 3. The Issuer does hereby appoint and designate Pioneer Community Bank, Iaeger, West Virginia, to serve as Depository Bank under the Bond Ordinance.

Section 4. The payment of the Prior Notes and the acquisition and construction of the Project and the financing thereof in part with the 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 5. The Issuer hereby approves and accepts all contracts relating to the financing, acquisition and construction of the Project.

Section 6. Series 2011 B Bonds proceeds in the amount of $119,916.45 shall be deposited with United Bank, Inc. to pay the outstanding principal balance of and all accrued interest on the Issuer's Waterworks Design Bond Anticipation Notes, Series 2009 B (the "Series 2009 B Notes") at Closing.

Section 7. The cost of the Project is estimated not to exceed $1,467,300, of which $400,000 will be obtained from proceeds of the Series 2011 B Bonds and $1,067,300 as a grant from the Purchaser.

Section 8. This Second Supplemental Resolution shall be effective immediately following adoption hereof.

[Remainder of Page Intentionally Blank]

Adopted this 19th day of January, 2011.

Thomas C. Hatcher
Mayor

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Council of the Town of War on the 19th day of January, 2011.

Dated: January 27, 2011.

[SEAL]

Recorder

939100.00006

CH5425644

Area Office (Fil III)

III

USDA Rural Development

United States Department of Agriculture
Rural Development
West Virginia State Office

July 30, 2008

The Honorable Thomas Hatcher
Mayor, City of War
P.O. Box 280
War, WV 24872

Dear Mayor Hatcher:

This letter, with Attachments 1 through 10 and enclosures, establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. The loan and grant will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area staff of USDA, Rural Development. Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by USDA, Rural Development, by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application.

The docket may be completed on the basis of an RUS loan in the amount of $400,000, and an RUS grant in the amount of $887,000, for a total project cost of $1,287,000.

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

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

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

75 High Street, Federal Building, Suite 320, Morgantown, WV 26505-7500
304.284.4860 • 1.800.295.8228 • 304.284-4893 • TTY/TDD 304.284.4836 • Web: http://www.rurdev.usda.gov

Committed to the future of rural communities.

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

d. RUS Bulletin 1780-31, "Water Programs Compliance Supplement For OMB Circular A-133 Audits"

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

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

The conditions referred to above are as follows:

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

2. Loan Repayment – The loan will be scheduled for repayment over a period of 40 years. The payments due the first 24 months will consist of interest only. Payments for the remaining 456 months will be equal amortized monthly installments. For planning purposes use a 2.75% interest rate and a monthly amortization factor of .00354, which provides for a monthly payment of $1,416. You have the option of participating in the PREAUTHORIZED DEBIT (PAD) payment process. It will allow for your payment to be electronically debited from your account on the day your payment is due. Your authority must establish and fund monthly a debt service reserve account, which equals 10% of your monthly payment each month until you accumulate the equivalent of one annual installment on your loan.

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

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

4. Users – This conditional commitment is based upon you providing evidence that you will have at least ~~550~~ 493 bona fide users on the proposed system when it has been completed and is placed in operation. This evidence will consist of a signed certification from you that identifies and attests to the number of users actually connected to and using the City's existing water system, which is to be partially replaced by the new system, at the time you request authorization to advertise the proposed project for construction bids.

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

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

6. Engineering Services – It will be necessary for you to obtain the services of an engineer. EJCDC No. 510-FA, "Standard Form of Agreement between Owner and Engineer for Professional Services" (2002 Funding Agency Edition) should be used to obtain the services of an engineer. The EJCDC document is issued under copyright and cannot be provided by RUS.

7. Legal Services – It will be necessary for you to obtain the services of a local attorney. For your convenience "RUS Legal Services Agreement" is enclosed for your use.

8. Accounting Services – It will be necessary for you to obtain the services of a qualified accountant. The accountant must agree to develop and provide the following:

a. All necessary accounting material required by the Public Service Commission of West Virginia (Rule 42 Exhibit).

b. Prior to loan/grant closing, your accountant must certify that the accounts and records as required by your bond ordinance have been established and are operational.

The Accountant's Agreement should be submitted to RUS for review. Compensation in the contract should include only those services identified above and not include payment for construction management services from the accountant unless RUS concurrence is obtained.

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

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

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

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

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

(land or facilities), a preliminary title opinion(s) concerning all such property(s) will be provided.

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

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

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

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

All permits apply

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

11. Public Service Commission Approvals and Rates – You must determine that the Certificate of Convenience and Necessity which you now have from the Public Service Commission of West Virginia is adequate to cover the entire area to be

served by the proposed system. If it is not adequate, a new certificate must be obtained and a copy provided for RUS. If it is determined the City's present certificate is adequate, the City must properly develop, adopt, and promulgate the required rates in accordance with the applicable provisions of Article I, Chapter 24 of the Code of West Virginia, as amended, and to the satisfaction of your bond counsel. The rate ordinance as adopted must include, as a minimum, all the rate related items (everything except project costs section, the use analysis section, and the operation and maintenance expense breakdown section) contained in the attached project construction budget (Attachment No. 1). The draft rate ordinance must be provided for RUS review and concurrence prior to its adoption.

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

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

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

    c. Position Fidelity Bond(s) – All positions occupied by persons entrusted with the receipt and/or disbursement of funds must be bonded. As a good business practice you will probably wish to have each position bonded in an amount equal to the maximum amount of funds to be under the control of that position at any one time. During the construction phase of your project, this maximum amount will be much greater than normal; therefore, it is our recommendation that you temporarily increase your coverage to $200,000, or the estimated highest monthly construction drawdown. Once construction is complete, you may decrease the amount of your coverage. Please note that the cost of the temporary increase in coverage is an eligible project cost.

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

    d. National Flood Insurance – In addition to meeting the requirements for the type of assistance requested, the following requirements must be met for

N/A

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

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

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

13. Environmental Requirements –

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

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

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

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

Rural Development requires all financed water and wastewater systems to have a vulnerability assessment (VA) and an emergency response plan (ERP) in place.

New water or wastewater systems must provide a certification that an ERP is complete prior to the start of operations. A certification that a VA is complete must be submitted within one year of the start of operations. All other borrowers must provide a certification that a VA and ERP are complete prior to bid authorization.

RD does not need or want a copy of the VA or ERP. The requested certification will be sufficient to meet our needs. Technical assistance providers are available to provide you with on site assistance if desired.

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

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

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

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

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

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

16. Contract Documents, Final Plans and Specifications –

a. The contract documents should consist of the following:

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

(2) "RUS Supplemental General Conditions."

RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Standard Documents on Water and Waste Projects with RUS Financial Assistance (September 10, 2003 Version)," is available at our website noted above for use by your engineer in the preparation of the contract documents.

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

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

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

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

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

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

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

18. Interim Financing – Interim financing will be used for the RUS loan if it is available at reasonable rates and terms. You must provide RUS with a copy of the tentative agreement reached in connection with interim financing. A copy of the proposed agreement should be provided for RUS review. A Sample Credit Agreement is attached for your use in meeting this requirement (Attachment No. 9).

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

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

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

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

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

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

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

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

20. Water Purchase Contract – You propose to purchase treated water from the McDowell County Public Service District; therefore, you must enter into a Water Purchase Contract. Form RD 442-30 must be used unless you receive an exception from RUS.

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

    Form RD 1940-1 – "Request for Obligation of Funds"
    RUS Bulletin 1780-12 – "Water or Waste System Grant Agreement"
    RUS Bulletin 1780-27 – "Loan Resolution (Public Bodies)"
    Form RD 400-1 – "Equal Opportunity Agreement"
    Form RD 400-4 – "Assurance Agreement"
    Form AD 1047 – "Certification Regarding Debarment – Primary"
    Form AD 1049 – "Certification Regarding Drug-Free Workplace"
    Form RD 1910-11 – "Applicant Certification, Federal Collection Policies"
    RD Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans"
    Standard Form LLL – "Disclosure of Lobbying Activities" (If Applicable)
    ~~Certification of Compliance~~
    Form RD 1942-46, "Letter of Intent to Meet Conditions"

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

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

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

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

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

Sincerely yours,

RICKIE E. RICE
State Director

Enclosures

cc: Rural Development Specialist
Beckley, WV

Jeffrey S. Feamster, CPA
P.O. Box 982
Lewisburg, WV 24901

~~Susan Riggs, Esquire~~ Richard Staton, Attorney at Law
~~Spilman, Thomas and Battle, PLLC~~ Maier & Staton
~~P.O. Box 273~~ P.O. Box 357
~~Charleston, WV 25321-0273~~ Mullens, WV 25882

John Stump, Esquire
Steptoe and Johnson, PLLC
707 Virginia Street, East, Suite 700
Charleston, WV 25301

Olver, Inc.
Consulting Engineers
1116 South Main Street
Blacksburg, VA 24060

David Cole, Executive Director
Region I Planning and
Development Council
1439 Main Street, Suite 5
Princeton, WV 24740

Attachment No. 1 to Letter of Conditions
For: City of War (Phase III)
Date: July 30, 2008

Project Construction Budget

PROJECT COST	RUS GRANT	RUS LOAN	PHASE III	PROJECT COST
CONSTRUCTION	$ 675,000	$ 287,000	$ 962,000	$ 962,000
CONST. CONTINGENCY	$ 47,700	$ 20,300	$ 68,000	$ 68,000
SITE WORK				$ -
LAND & RIGHTS				$ -
LEGAL FEES	$ 10,500	$ 4,500	$ 15,000	$ 15,000
BOND COUNSEL				$ -
ACCOUNTING	$ 3,500	$ 1,500	$ 5,000	$ 5,000
ENGINEERING FEES				
Basic - $67,294	$ 47,194	$ 20,100	$ 67,294	$ 67,294
Insp. - $53,000	$ 37,200	$ 15,800	$ 53,000	$ 53,000
Special - $25,000	$ 17,500	$ 7,500	$ 25,000	$ 25,000
INTEREST		$ 23,000	$ 23,000	$ 23,000
EQUIPMENT				$ -
TECHNICAL SERVICES	$ 28,000	$ 12,000	$ 40,000	$ 40,000
PROJECT CONTG.	$ 20,406	$ 8,300	$ 28,706	$ 28,706
			$ 1,287,000	
TOTAL	**$ 887,000**	**$ 400,000**		**$ 1,287,000**

APPLICABILITY

Applicable in War, McDowell, West Virginia

AVAILABILITY OF SERVICE

Available for general domestic and commercial service.

USAGE RATES

9.55

First	2,000 gallons @	$	~~19.10~~	Per 1000 gallons
Next	3,000 gallons @	$	6.61	Per 1000 gallons
Next	5,000 gallons @	$	5.99	Per 1000 gallons
Next	30,000 gallons @	$	5.49	Per 1000 gallons
Next	60,000 gallons @	$	5.17	Per 1000 gallons
All Over	100,000 gallons @	$	4.82	Per 1000 gallons

Minimum Bill

The above schedule is subject to a monthly minimum charge based on the size of the meter as follows:

5/8" x 3/4"	$	19.10	per month
3/4"	$	28.65	per month
1"	$	47.75	per month
1 1/4"	$	69.72	per month
1 1/2"	$	95.50	per month
2"	$	152.80	per month
3"	$	286.50	per month
4"	$	477.50	per month
6"	$	955.00	per month
8"	$	1,528.00	per month

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full within twenty (20) days of the date of bill, ten (10%) will be added to the current net charge.

LEAK ADJUSTMENT INCREMENT

$0.63 Mgal. To be charged for all water billed in excess of the customer's historical usage when the bill reflects unusual consumption which is attributed to eligible leakage on the customer's side of the meter.

CONNECTION CHARGE

Prior to Construction - $100.00

After the start of construction, there shall be a charge of $300.00 for connection to the system.

RECONNECTION CHARGE

$25.00

RETURNED CHECK CHARGE

A service charge of $25.00 will be imposed upon any customer whose check for payment of charges is returned by the bank due to insufficient funds.

Use and Income Analysis - See Attached

Cash Flow Analysis - See Attached

CITY OF WAR

USE AND INCOME ANALYSIS

EXISTING SYSTEM USERS

Blocking	Cust.	MGal/ Mo.	Minimum Bills	Minimum Bill Usage	First 3,000	Next 5,000	Next 30,000	Next 60,000	Over 100,000	TOTAL REVENUE
0 - 2,000	3,192	4,774.5	3,192							
2,001 - 5,000	1,941	6,084.3		3,882	2,202					
5,001 - 10,000	614	4,128.9		1,228	1,842	1,059				
10,001 - 40,000	141	2,075.9		282	423	705	666			
40,001 - 100,000	17	974.9		34	51	85	510	295		
OVER 100,000	8	1449.2		16	24	40	240	480	649	
Annual Total	5,913	19,487.7	3,192	5,442	4,542	1,889	1,416	775	649	
Monthly Total	493	1,624.0	266	454	379	157	118	65	54	
Current Rates			*$ 13.76*	*$ 6.88*	*$ 4.76*	*$ 4.31*	*$ 3.95*	*$ 3.72*	*$ 3.47*	
Monthly Revenues			$ 3,660.16	$ 3,120.08	$ 1,801.66	$ 678.47	$ 466.10	$ 240.25	$ 187.67	$ 10,154.39
Annual Revenues			$ 43,921.92	$ 37,440.96	$ 21,619.92	$ 8,141.59	$ 5,593.20	$ 2,883.00	$ 2,252.03	$ 121,852.62
Proposed Rates			*$ 19.10*	*$ 9.55*	*$ 6.61*	*$ 5.99*	*$ 5.49*	*$ 5.17*	*$ 4.82*	
Monthly Revenues			$ 5,080.60	$ 4,330.93	$ 2,501.89	$ 942.93	$ 647.82	$ 333.90	$ 260.68	$ 14,098.73
Annual Revenues			$ 60,967.20	$ 51,971.10	$ 30,022.62	$ 11,315.11	$ 7,773.84	$ 4,006.75	$ 3,128.18	$ 169,184.80

CITY OF WAR

USE AND INCOME ANALYSIS

~~Phase II & IV Customers~~

Blocking	Cust.	MGal/ Mo.	Minimum Bills	Minimum Bill Usage	First 3,000	Next 5,000	Next 30,000	Next 60,000	Over 100,000	TOTAL REVENUE
0 - 2,000	369	552.3	369							
2,001 - 5,000	225	703.8		449	255					
5,001 - 10,000	71	477.6		142	213	122				
10,001 - 40,000	16	240.1		33	49	82	77			
40,001 - 100,000	2	112.8		4	6	10	59	34		
OVER 100,000										
Annual Total	683	2,086.6	369	628	523	214	136	34	0	
Monthly Total	57	173.9	31	52	44	18	11	3	0	
Current Rates			*$ 13.76*	*$ 6.88*	*$ 4.76*	*$ 4.31*	*$ 3.95*	*$ 3.72*	*$ 3.47*	
Monthly Revenues			$ 423.12	$ 360.05	$ 207.46	$ 76.86	$ 44.77	$ 10.54	$ -	$ 1,122.80
Annual Revenues			$ 5,077.44	$ 4,320.64	$ 2,489.48	$ 922.34	$ 537.20	$ 126.48	$ -	$ 13,473.58
Proposed Rates			*$ 19.10*	*$ 9.55*	*$ 6.61*	*$ 5.99*	*$ 5.49*	*$ 5.17*	*$ 4.82*	
Monthly Revenues			$ 587.33	$ 499.78	$ 288.09	$ 106.82	$ 62.22	$ 14.65	$ -	$ 1,558.88
Annual Revenues			$ 7,047.90	$ 5,997.40	$ 3,457.03	$ 1,281.86	$ 746.64	$ 175.78	$ -	$ 18,706.61

CITY OF WAR (PHASE III)
CASH FLOW ANALYSIS

OPERATING INCOME		
Water Sa Residential	$	~~187,890~~
Penalties	$	2,068
Other Income	$	1,213
TOTAL OPERATING INCOME	$	~~191,171~~
NON OPERATING INCOME		
Interest income		
TOTAL NON OPERATING INCOME	$	-
TOTAL INCOME	$	~~191,171~~
EXPENSES		
O & M	$	98,232
Taxes	$	6,656
TOTAL EXPENSES	$	104,888
INCOME AVAILABLE FOR D/S (A)	**$**	**86,283**
DEBT SERVICE		
~~Existing Bond P&I~~	~~$~~	~~5,410~~
USDA (Phases II & IV)	$	46,728
Proposed Bond P & I (USDA Phase III)	$	16,992
TOTAL DEBT SERVICE (B)	**$**	**69,130**
DEBT SERVICE RESERVE		
Debt Service Reserve*		
WVIJDC*		Prefunded
USDA (Phases II & IV)	$	4,672
USDA (Phase III)	$	1,699
Depreciation Reserve**	$	4,697
TOTAL DEBT SERVICE RESERVE	**$**	**11,068**
SURPLUS (DEFICIT)	**$**	**6,085**
DEBT COVERAGE (A/B)		**124.81%**

Will be corrected with an amendment at a late date

*WVIJDC bond reserve prefunded.
**Based upon 2.5% of gross water sales

Attachment No. 2 to Letter of Conditions
For: City of War (Phase III Water)
Date: July 30, 2008

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

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

IJDC

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
RUS Legal Services Agreement	Legal Services Agreement with Local Attorney	3	1780.39 (b)(2)	Applicant/ Attorney		Have	5
	Site Visit		S.I. 1780-2	RUS			3
	Processing Conference	1	1780.39(a)	RUS		Have	3
	Environmental Report	2	1794	Applicant		Have	3
	Environmental Assessment	2	1794	RUS/ Engineer		Have	3
	FONSI/ Evidence of Publication	1	Exhibit 1 RUS 1794 News Ad	RUS/ Applicant		Have	3
Bulletins 1780-2 1780-3	Preliminary Engineering Report	2	1780.33(c)	Engineer		Have	6
	Staff Engineer PER Review	1	1780.33(c)	RUS		Have	3
	Bill Analysis for existing system(s)	2	1780.33(c)	Applicant/ Engineer		Have	8
	Projected Bill Analysis for New Users	2	1780.33(c)	Applicant/ Engineer		Have	8
	Statement reporting the total number of potential users		1780.33(c)	Applicant/ Engineer		Have	8
	Rate Tariff	2	1780.33	Applicant		Have	8
	Applicant's IRS Tax Number(TIN)	1	1780.33(g)	Applicant		Have	3

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
	Agency Determination on the Availability of "Other Credit" with Documentation	1	1780.7(d)	RUS		Have	3
	Documentation on Service Area	1	1780.11	RUS		Have	3
Bulletin 1780-1	Project Selection Criteria	2	1780.17	RUS		Have	1
	Letter of Conditions	7	1780.41 (a)(5)	RUS		Have	3
AD 1049	Certification Regarding Drug-Free Workplace	1	1780.33(h)	Applicant		Have	5
	Minutes Adopting Drug-Free Workplace Program	1	LOC	Applicant			5
Exhibit A / A-1	Certifications Regarding Lobbying	2	1780.33(h)	Applicant		Have	2
CPAP Form	Project Information	2	1780.41(a)	RUS		Have	1
CPAP Form	Underwriting Information	2	1780.33(h)	RUS		Have	3
RD 1940-1	Request for Obligation of Funds	2	1780.41(a)	RUS/ Applicant		Have	2
Bulletin 1780-12	Association Water or Sewer System Grant Agreement	2	1780.45(c)	RUS/ Applicant		Have	2
RD 1942-46	Letter of Intent to Meet Conditions	2	1780.41 (a)(6)	Applicant		Have	3

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
AD 1047	Certification Regarding Debarment (Primary)	1	1780.33(h)	Applicant		Have	5
	Relationships/ Associations with Agency Employees	1	1780.1(f)	RUS		Have	3
RD 1910-11	Applicant Certification, Federal Collect-ion Policies	1	1780.33(h)	Applicant		Have	3
Bulletin 1780-27	Loan Resolution	1	1780.45 (a)(2)	Applicant		Have	5
RD 400-1	Equal Opportunity Agreement	1	1901-E	Applicant		Have	6
RD 400-4	Assurance Agreement	1	1901-E	Applicant		Have	3
	Legal Services Agreement with Bond Counsel	1	1780.39 (b)(3)	Applicant/ Bond Counsel			5
	Agreement for Accounting Services	1	1780.39 (b)(2)	Applicant/ Accountant		Have	5
	Certification Relative to Existing Users	1	LOC	Applicant			5
	Verification of Users	1	1780.44(b)	RUS			3
RD 442-30	Water Purchase Contract	1	1780.62/ 1780.63	Applicant/ Attorney/ RUS			5
	Accountant's Certification	1	LOC	Applicant/ Accountant			3
	RUS Review of Accounting Records	1	S.I. 1780-4 (1)(ii)	RUS			3

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
	Copy of PSC Rule 42 Exhibit	1	State	Attorney/ Accountant			3
Lender Agreement/ Bulletin 1780-10/ 1780-10a	Interim Financing Documentation	1	1780.39(d)	Applicant/ RUS			1
	DOH Permit	1	1780.15(d)	Applicant			6
	Railroad Permit	1	1780.15(d)	Applicant			6
	Public Land Corp. Permit	1	1780.15(d)	Applicant			6
	Corps of Engineers Permit	1	1780.15(d)	Applicant			6
	Dept. of Health Approval	1	1780.15(d)	Engineer			6
	Dept. of Environmental Protection Permit	1	1780.15(d)	Engineer			6
	Contract Documents, Plans & Specifications	2	1780.61(a)	Engineer			Separate File
	Agency Determination on Procurement	1	1780.70(d)	RUS			6
	Preliminary Bond Transcript Documents w/o Defeasance Provisions	2	1780.83	Bond Counsel			5
	Right-of-Way Map	1	1780.44(g)	Engineer			Separate File
	Deeds and/or Options		1780.44.(g)	Applicant/ Attorney			5

Form Number	Document or Action	Number Needed	Procedure Reference	Provided By	Target Date	Date Received	File Position
RD 1927-9	Preliminary Title Opinion	1	1780.44 (g)(2)	Applicant/ Attorney			5
	Narrative Opinion from Attorney	1	1780.44(g)	Attorney			5
	Waiver of Title Defects Letter	1	1780.44(g)	RUS			5
RD 442-22	Opinion of Counsel Relative to R/Ways		1780.44 (g)(1)	Attorney			5
	Review of Outstanding Judgment	1	1780.7(g)	RUS/ Attorney			3
SF 3881	Electronic Funds Transfer Payment Enrollment Form	1	31 CFR 208	Applicant/ Financial Institution			2
	Positive Program to Encourage Connections when Completed	1	1780.39 (c)(5)	Applicant		N/A	5
RD 442-10	Appraisal Report	1	1780.44(g)	RUS		N/A	8
	Documentation Relative to Health or Sanitary Hazards	1	1780.1 (c)(1) 1780.13 (b)(1)	RUS/State Health Department			2
	PSC Approval	1	1780.15(b)	Applicant/ Attorney			6
	Certifications on VA and ERP	1		Applicant			5
	Bid Tabulation	1	1780.61(b)	Engineer			6

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

B

United States Department of Agriculture
Rural Development
West Virginia State Office

April 13, 2009

The Honorable Thomas Hatcher, Mayor
City of War
P.O. Box 280
War, WV 24872

RE: Water System Upgrade Phase III
Amendment No. 1 to Letter of Conditions

Dear Mayor Hatcher:

This letter, with Attachment No. 1 amends the letter of conditions dated July 30, 2008 and further establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. The loan and grants will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area staff of USDA, Rural Development. Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant must be reported to and approved by USDA, Rural Development by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application.

The docket may be completed on the basis of an initial RUS loan in the amount of $400,000, an initial RUS grant in the amount of $887,000, and a subsequent RUS grant in the amount of $180,300, for a total project cost of $1,467,300.

The subsequent grant will be considered approved on the date a signed copy of Form RD 1940-1 "Request for Obligation of Funds," is mailed to you.

Subject to the requirements noted herein, all of the conditions of the July 30, 2008 letter of conditions remain in effect and must be satisfied prior to loan and grant closing.

Extra copies of this letter are being provided for use by your engineer, attorney, bond counsel and accountant. The enclosures and attachments listed below are attached to the copies as noted.

Federal Building • 75 High Street • Suite 320 • Morgantown, WV 26505-7500
Phone: (304) 284-4860 OR 1-800-295-8228 • Fax: (304) 284-4893 • TDD: (304) 284-4836
Web: http://www.rurdev.usda.gov/wv

Committed to the future of rural communities.

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

The conditions referred to above are as follows:

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

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

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

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

(c). Buy American: Section 1605 of the Recovery Act requires that all projects financed with Recovery Act funds be bid and constructed using only iron, steel and manufactured goods produced in the United States in accordance with Section 1605 of the Recovery Act. Specific guidance, including contract provisions to be included in any construction contracts, is being formulated and drafted as of the date of this Letter of Conditions. RD Water and Waste Program personnel will provide specific guidance related to this condition as soon as it is available.

(d). Wage Rate Requirements: Section 1606 of the Recovery Act requires that all laborers and mechanics employed by contractors and subcontractors for the project will be paid wages at rates not less than those prevailing on projects of a character similar in the locality where this project will occur. Specific guidance, including contract provisions to be included in any construction or otherwise related contracts, is being formulated and drafted as of the date of this Letter of Conditions. RD Water and Waste Program personnel will provide specific guidance related to this condition as soon as it is available.

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

2. The project construction budget (Attachment No. 1) has been amended to reflect the subsequent funding.

3. Users – This conditional commitment is based upon you providing evidence that you will have at least 493 bona fide users on the proposed system when it has been completed and is placed in operation. This evidence will consist of a signed certification from you that identifies and attests to the number of users actually connected to and using the City's existing water system, which is to be partially replaced by the new system, at the time you request authorization to advertise the proposed project for construction bids.

4. Public Service Commission Approval - You must obtain PSC approval of the project's proposed financing and user rates as may result from this amendment to the letter of conditions.

5. Income Available - You must maintain a rate schedule that provides adequate income to meet the minimum requirements for operation and maintenance, debt service, and reserves.

6. At a properly called meeting, you must adopt and properly execute the following forms, and minutes showing the adoption must be provided (you must also provide us with a copy of the minutes showing the adoption of the forms associated with the original letter of conditions):

   Form 1940-1 – "Request for Obligation of Funds"
   RUS Bulletin 1780-12 – "Water or Waste System Grant Agreement"
   Form RD 1942-46 – "Letter of Intent to Meet Conditions"

If the conditions set forth in this letter are not met within six (6) months from the date hereof, RD reserves the right to discontinue processing of the application. In the event the project has not advanced to the point of loan/grant closing within the six-month period and it is determined the City still wishes to proceed, it will be necessary that the proposed budget be reviewed again in detail. If, during that review, it is determined the budget is no longer current and/or adequate, RD reserves the right to require that it be revised or replaced.

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

Sincerely,

Susan L. Newromer

for DIANNE GOFF CRYSLER
Acting State Director

Enclosures

cc: Tracey Rowan, Community Programs Specialist
Cross Lanes, WV

Jeffrey S. Feamster, CPA
P.O. Box 982
Lewisburg, WV 24901

W. Richard Staton, Attorney at Law
Moler & Staton
P.O. Box 357
Mul[illegible]s, WV 25882

Olver, Inc.
Consulting Engineers
ATTN: Mark Blaylock, P.E.
1116 South Main Street
Blacksburg, VA 24060

John Stump, Esquire
Steptoe & Johnson, PLLC
P.O. Box 1588
Charleston, WV 25326-1588

David Cole, Executive Director
Region I Planning and Development Council
1439 Main Street, Suite 5
Princeton, WV 24740

Attachment No. 1 to Letter of Conditions
For: City of War (Phase III)
Date:

Project Construction Budget

PROJECT COST	RUS LOAN	RUS GRANT	SUBSEQUENT RUS GRANT	TOTAL
CONSTRUCTION	$ 279,300	$ 672,000	$ 136,700	$ 1,088,000
CONST. CONTINGENCY	$ 19,500	$ 47,100	$ 9,600	$ 76,200
LAND & RIGHTS	$ 1,900	$ 4,500	$ 900	$ 7,300 ✓
LEGAL FEES	$ 3,900	$ 9,200	$ 1,900	$ 15,000
BOND COUNSEL	$ 4,700	$ 11,500	$ 2,300	$ 18,500 ✓
ACCOUNTING	$ 1,300	$ 3,100	$ 600	$ 5,000 ✓
ENGINEERING FEES	$ 38,100	$ 91,900	$ 18,600	$ 148,600 ✓
Basic - $76,100				
Insp. - $53,000				
Special - $19,500				
INTEREST	$ 31,400			$ 31,400 ✓
EQUIPMENT	$ 1,200	$ 2,900	$ 600	$ 4,700
TECHNICAL SERVICES	$ 10,300	$ 24,700	$ 5,000	$ 40,000 ✓
PROJECT CONTINGENCY	$ 8,400	$ 20,100	$ 4,100	$ 32,600
TOTAL	$ 400,000	$ 887,000	$ 180,300	$ 1,467,300

Rates

Available for general domestic, commercial, and industrial service.

First	2,000	gallons @	$ 12.48	per M gallons
Next	3,000	gallons @	$ 8.63	per M gallons
Next	5,000	gallons @	$ 7.81	per M gallons
Next	30,000	gallons @	$ 7.17	per M gallons
Next	60,000	gallons @	$ 6.74	per M gallons
Over	100,000	gallons @	$ 6.30	per M gallons

Minimum Charge

No bill shall be rendered for less than the following amounts according to the size of meter installed.

5/8" x 3/4"	meter	$	24.96	per month
3/4"	meter	$	37.44	per month
1"	meter	$	62.40	per month
1 1/2"	meter	$	124.80	per month
2"	meter	$	199.68	per month
3"	meter	$	374.40	per month
4"	meter	$	624.00	per month
6"	meter	$	1,248.00	per month
8"	meter	$	1,996.80	per month

Minimum Monthly Bill $ 24.96 for 2,000 gallons

Delayed Payment Penalty

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

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

Leak Adjustment

$2.35 per M gal. To be charged for all water billed in excess of the customer's historical usage when the bill reflects unusual consumption which is attributed to eligible leakage on the customer's side of the meter.

Connection Charge

Prior to Construction - $100.00

After the start of construction, there shall be a charge of $300.00 for connection to the system.

Reconnection Charge

$25.00

Use and Income Analysis - See Attached

Cash Flow Analysis - See Attached

Attachment No. 1 to Letter of Conditions
For: City of War (Phase III)
Date:

City of War
USE AND INCOME ANALYSIS
EXISTING SYSTEM

Blocking	Cust.	Gal/ Mo.	Minimum Bills	First 2,000	Next 3,000	Next 5,000	Next 30,000	Next 60,000	Over 100,000	TOTAL REVENUE
0 - 2,000	280	409.74	281							
2,001 - 5,000	166	489.03		331.84	157.19					
5,001 - 10,000	38	254.49		76.17	114.25	64.07				
10,001 - 40,000	7	115.60		14.34	21.50	35.84	43.92			
40,001 - 100,000	1	46.80		1.50	2.25	3.75	22.50	16.80		
OVER 100,000	1	44.71		0.5	0.75	1.25	7.5	15	19.71	
Monthly Total	493.00	1,360.37	281.00	424.35	295.94	104.91	73.92	31.80	19.71	
Proposed Rates			$ 24.96	$ 12.48	$ 8.63	$ 7.81	$ 7.17	$ 6.74	$ 6.30	
Monthly Revenues			$ 7,013.76	$ 5,295.89	$ 2,553.96	$ 819.35	$ 530.01	$ 214.33	$ 124.17	$ 16,551.47
Annual Revenues			$ 84,165.12	$ 63,550.66	$ 30,647.55	$ 9,832.17	$ 6,360.08	$ 2,571.98	$ 1,490.08	$ 198,617.62

City of War
OPERATING BUDGET

OPERATING INCOME		
Metered Sales	$198,618	
Penalties	$ 3,273	
Other Income	$ 1,830	
TOTAL OPERATING INCOME		$ 203,721
NON OPERATING INCOME		
Interest Income		
TOTAL NON OPERATING INCOME		$ -
TOTAL INCOME		$ 203,721
EXPENSES		
O & M	$114,701	
Taxes	$ 4,705	
TOTAL EXPENSES		$ 119,406
INCOME AVAILABLE FOR D/S (A)		$ 84,315
DEBT SERVICE		
Existing Bond P & I (B)	$ 52,138	
Proposed Bond P & I (B)	$ 16,992	
TOTAL DEBT SERVICE		$ 69,130
DEBT SERVICE RESERVE		
Debt Service Reserve*	$ 6,371	
Depreciation Reserve**	$ 4,965	
TOTAL DEBT SERVICE RESERVE		$ 11,336
SURPLUS (DEFICIT)		$ 3,849
DEBT COVERAGE (A/B)		$ 1.22

*WVIJDC Bond Reserve Prefunded
**Depreciation Reserve based on 2.5% of water sales.

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered: July 16, 2010

FINAL

8/5/2010

CASE NO. 10-0230-W-CN

CITY OF WAR, a municipal utility,
War, McDowell County.
Application for a certificate of convenience and necessity to construct improvements to the existing water distribution system.

and

CASE NO. 10-0534-W-MA

CITY OF WAR, a municipal utility,
War, McDowell County.
Investigation and suspension of increase in water rates and charges as a result of petitions filed in accordance with W.Va. Code §24-2-4b.

RECOMMENDED DECISION

Case No. 10-0230-W-CN ("certificate case")

On February 18, 2010, the City of War ("City"), by counsel Susan J. Riggs, filed with the Public Service Commission ("Commission") an application for a certificate of convenience and necessity to construct Phases 2 through 4 of its Water Improvement Project, which includes replacing the water distribution systems of the Yukon and Excelsior areas, as well as the City's downtown distribution system. Supporting documentation was filed.

Also on February 18, 2010, the Commission directed the City to publish a Notice of Filing.

On March 3, 2010, by Order, the Commission referred this matter to the Division of Administrative Law Judges ("ALJ Division") for decision no later than August 2, 2010, if timely substantial protest was received, and no later than July 5, 2010, if such protest was not filed.

On March 10, 2010, the City, by counsel, filed an affidavit of publication of the Notice of Filing on February 26, 2010, in The Welch News.

On March 19, 2010, Staff Attorney Cassius Toon filed an Initial Joint Staff Memorandum, with an attached memorandum from Karen L. Buckley, of the Utilities Division, and James Spurlock, of the Engineering Division.

On April 6, 2010, the City, by counsel, filed further information.

Case No. 10-0534-W-MA ("municipal appeal case")

On March 17, 2010, the City adopted an ordinance increasing its water rates by 70%, to become effective no sooner than May 1, 2010.

On April 16, 2010, a petition signed by 407 individuals was filed, opposing the rate increase.[1] The petition stated that the increase would be "grievous for customers to pay," particularly since the quality of the water is substandard.

On April 19, 2010, the Commission issued an order stating that it had received a petition "apparently signed by not less than twenty-five percent of the City's water customers" and, therefore, found jurisdiction pursuant to W.Va. Code §24-2-4b; docketed this matter; named the City a respondent; suspended the City's proposed rates and charges until August 29, 2010, unless otherwise ordered by the Commission; and referred this matter to the ALJ Division for decision no later than July 30, 2010. Commission Staff was ordered to file its final report no later than June 15, 2010.

On May 14 and 17, 2010, the City, by counsel Susan J. Riggs, filed further information.

Case Nos. 10-0230-W-CN and 10-0534-W-MA

On May 12, 2010, the City, by counsel, filed a motion for the consolidation of the certificate and municipal appeal cases; tolling of the municipal appeal case's statutory deadline; and extensions of the ALJ decision due dates.

On May 21, 2010, the Commission, by Order, granted the motion. The effective dates for the proposed rates in the municipal appeal case and the statutory deadline for both cases were extended

---

[1]The cover letter to the petition stated that the petitioners had been informed by a representative of the City that a rise in the water rates would raise the sewer rates. That is incorrect. The sewer rates are unaffected by the proposed raising of the water rates.

until October 1, 2010, and the ALJ decision due date for the consolidated cases was extended until August 9, 2010.

On May 25, 2010, the undersigned issued a Procedural Order ordering Commission Staff to file its final report in the certificate case no later than June 15, 2010, the same date that its report was due in the municipal appeal case; ordering the City to file any objection to Staff's recommendations no later than June 25, 2010; scheduling these matter for hearing at 1:00 p.m. on July 8, 2010, in Circuit Courtroom A, McDowell County Courthouse, Wyoming and Court Streets, Welch, West Virginia; ordering an expedited transcript, to be filed no later than July 12, 2010; and ordering the City to publish an attached Notice of Hearing no earlier than June 23, 2010, and no later than July 1, 2010.

On June 8, 2010, the Commission extended the deadline for Staff to file its reports in both cases to June 22, 2010.

On June 22, 2010, Mr. Toon filed the Final Joint Staff Memorandum in the certificate case, with an attached memorandum from Ms. Buckley and Jonathan Fowler, of the Engineering Division, which included the following: This project involves replacing the distribution system previously owned by War Water Works, which is over eighty years old and extremely leaky and otherwise deteriorated. The project is referred to as Phase 2, Phase 3 and Phase 4; Phase 1 was approved by the Commission in Case No. 08-0684-W-CN (June 26, 2008). The project will consist of installing approximately 27,800 feet of water mains of various sizes, 75 main valves, 365 meters, and 32 new fire hydrants and shut-off valves; the construction of a 100,000-gallon water storage tank; and restoration of the property. The project has been approved by the Infrastructure and Jobs Development Council and is estimated to cost $4,113,800, including an estimated construction cost of $3,191,900, to be funded by a $2,613,800 Rural Utilities Service ("RUS") grant and an RUS loan of $1,500,000, payable over forty years at an interest rate not to exceed 2.75%. The West Virginia Bureau of Public Health issued two permits for the project, Permit No. 18,311 (dated May 15, 2009) and Permit No. 18,364 (dated July 24, 2009). Staff opined that the project is badly needed, due to the dire condition of the system, and recommended that the certificate be granted and the project and its funding be approved.

Also filed on June 22, 2010, was the Final Joint Staff Memorandum in the municipal appeal case, with Staff Reports prepared by Ms. Buckley and Mr. Fowler, which included the following: Staff examined the City's books and records for the fiscal year ending June 30, 2008. Staff found that over five years the City had averaged $10,316 in capital additions. Staff calculated that the City would need total available cash of $269,356, and recommended that the City's water rates be increased by 45.1%, to become effective upon substantial completion of the project at issue in the certificate case. The Staff-recommended rates would provide the City $10,328 for capital additions and a debt service factor of 122.48%. Staff also recommended modifying the City's leak adjustment rate and adding to the City's tariff a $150 tap fee, a $25 reconnection charge, a returned check charge not to exceed $25, and a security deposit provision.

On June 25, 2010, the City, by counsel, filed a request for an extension of the deadline for it to respond to Staff's recommendations from June 25th to July 2nd, stating that its accountant is on National Guard duty, and will not return to his office until June 28th.

On June 28, 2010, the undersigned issued a Procedural Order granting the motion.

On July 6, 2010, the City, by counsel, filed an affidavit establishing that the Notice of Hearing had been published on June 25, 2010, in The Welch News.

The hearing convened as scheduled. Mr. Toon and Ms. Riggs made their appearances, and Ms. Riggs stated that the City agreed with Staff's recommendations in the certificate case and stipulated to the Staff-recommended rates in the municipal appeal case. (Tr. 6). The City's application in the certificate case was entered into evidence as City Exhibit 1 and the engineering reports were entered into evidence as City Exhibits 2 through 4. The Staff reports in the municipal appeal case were entered into evidence as Staff Exhibit 1 and the Staff report in the certificate case was entered into evidence as Staff Exhibit 2. Ms. Riggs clarified that all necessary permits in the certificate case had been received and filed. (Tr. 7). Mr. Fowler and Ms. Buckley were called as witnesses to explain these matters to the protestants who had appeared. Included in Mr. Fowler's testimony was that the City's system was built in the 1920's by the War Water Works and allowed to deteriorate; the City acquired the system in 2003. The project at issue in the certificate case is "desperately needed." (Tr. 12). Ms. Buckley stated that Staff recommended an overall increase of approximately 45%, lower than the 70% the City's ordinance had provided; with implementation of the Staff-recommended rates, an average monthly bill for usage of 4,500 gallons of water will go up by $9.90. (Tr. 17).

The protestants asked questions, and further information was provided, as follows: Asked how much debt the City will incur because of the project, Mr. Fowler explained that, of the $4,113,800 cost of the Phase 2 through 4 project, only $1,500,000 will have to be repaid; the rest, approximately $2,600,000, will be paid for by grants. (Tr. 25). Mayor Thomas Hatcher stated that, for all six phases, the City will have $6,881,000 in grant money and only the $1,500,000 in loans; the later two phases will be totally grant-funded. Mayor Hatcher explained that grants are covering 82% of the total cost of all the projects; only 18% of that cost will be in loans. He added that such funding is better than most cities ever get. (Tr. 26). Asked when the water will become potable, Douglas Hudgins, the City's engineer, stated that, at the end of this project, Phases 2 through 4, the source of water will be the same, but Phases 5 and 6, which have been funded and are now being designed, will include connection to the water system of the McDowell County Public Service District, which has treated water; all of the City's water will be bought from the District. (Tr. 28). The Phase 2 through 4 project will improve the water quality, because of the corrosion of the old lines, but not until the system is connected to the District's system will the problems with the water quality be fully resolved. (Tr. 34). All of the projects should be completed within approximately two years. (Tr. 40). Mr. Toon stressed that the increased rates will not become effective until the project is substantially complete. (Tr. 38). Mayor Hatcher clarified that the City has been paying interest on the RUS loan since February 18, 2009; it has already paid a total of $14,133.48. (Tr. 47). The statements of the protestants primarily were that the water quality is bad; the water is dirty and treated only with chlorine. (Tr. 36, 38, 42,

45). Lawrence Muncy expressed concern that, since the population in the area is falling, in the future it might be difficult for the City's customers to pay off the debt. (Tr. 36).

The transcript was filed on July 12, 2010.

FINDINGS OF FACT

1. On February 18, 2010, the City of War filed with the Public Service Commission an application for a certificate of convenience and necessity to construct Phases 2 through 4 of its Water Improvement Project. Phases 2 through 4 include replacing the water distribution systems of the Yukon and Excelsior areas, as well as the City's downtown distribution system. The matter was docketed as Case No. 10-0230-W-CN. (See application).

2. The City published a Notice of Filing of the application for a certificate of convenience and necessity on February 26, 2010, in The Welch News, and no protest was filed. (See filing of March 10, 2010; Commission case file).

3. On March 17, 2010, the City adopted an ordinance increasing its water rates by 70%, to become effective on May 1, 2010. Upon the filing of a petition opposing the increase, signed by 407 individuals, the Commission invoked its jurisdiction pursuant to W.Va. Code §24-2-4b, and suspended the City's proposed rates until August 29, 2010, unless otherwise ordered by the Commission. The matter was docketed as Case No. 10-0534-W-MA. (See filing of March 22, 2010; Commission Order of April 19, 2010).

4. Upon request of the City, the Commission consolidated the two cases, changed the effective date for the proposed rates to October 1, 2010, and extended the statutory deadline for the consolidated cases to August 9, 2010. (See filing of May 12, 2010; Commission Order of May 21, 2010).

5. A Notice of Hearing on the consolidated cases was published on June 25, 2010, in The Welch News, and protestants appeared at the hearing held July 8, 2010. (See filing of July 6, 2010; Tr. 30-51).

6. The Phase 2 through 4 project at issue in Case No. 10-0230-W-CN involves replacing the distribution system previously owned by War Water Works, which is over eighty years old and extremely leaky and otherwise deteriorated. The project will consist of installing approximately 27,800 feet of water mains of various sizes, 75 main valves, 365 meters, and 32 new fire hydrants and shut-off valves; the construction of a 100,000-gallon water storage tank; and restoration of property. (See Staff Report filed June 22, 2010; Tr. 10-13).

7. The project has been approved by the Infrastructure and Jobs Development Council and is estimated to cost $4,113,800, including an estimated construction cost of $3,191,900, to be funded

by a $2,613,800 Rural Utilities Service grant and an RUS loan of $1,500,000, payable over forty years at an interest rate not to exceed 2.75%. (See application; Staff Report).

8. The West Virginia Bureau of Public Health issued two permits for the project, Permit No. 18,311 (dated May 15, 2009) and Permit No. 18,364 (dated July 24, 2009). All needed permits have been received and filed. (See Staff Report; Tr. 7).

9. Staff concluded that the project is badly needed, due to the dire condition of the system. Staff recommended that the certificate be granted and the project and its funding be approved. (See Staff Report; Tr. 12).

10. Staff examined the City's books and records for the fiscal year ending June 30, 2008. Staff found that over five years the City had averaged $10,316 in capital additions. Staff calculated that the City would need total available cash of $269,356, and recommended that the City's water rates be increased by 45.1%, to become effective upon substantial completion of the Phase 2 through 4 project. The Staff-recommended rates would provide the City $10,328 for capital additions and a debt service factor of 122.48%. Staff also recommended modifying the City's leak adjustment rate and adding to the City's tariff a $150 tap fee, a $25 reconnection charge, a returned check charge not to exceed $25, and a security deposit provision. (See Staff Reports; Tr. 13-17).

11. The City stipulated to the Staff-recommended rates. (Tr. 6).

CONCLUSIONS OF LAW

1. In Case No. 10-0230-W-CN, it is appropriate to grant the application and approve the project, pursuant to W.Va. Code §24-2-11, because it is reasonable and necessary, and to approve the funding because it is appropriate.

2. It is appropriate to approve the Staff-recommended new tariff provisions and rates, as provided in Appendix A, to become effective upon substantial completion of the approved project, because the City accepted them; no reasonable argument against them has been made by the customers of the City; and they provide revenue sufficient, but no more than sufficient, to cover the expenses of the City, its needed capital improvements, and its debt service.

3. It is appropriate to order the City to cause to be published the attached Notice of New Tariff Provisions, attached hereto as Appendix B.

ORDER

IT IS, THEREFORE, ORDERED that the application for a certificate of convenience and necessity filed on August 17, 2009, by the City of War to construct Phases 2 through 4 of its Water Improvement Project is approved.

IT IS FURTHER ORDERED that the funding for the Phases 2 through 4 project, consisting of a $2,613,800 Rural Utilities Service grant and an RUS loan of $1,500,000, payable over forty years at an interest rate not to exceed 2.75%, is approved.

IT IS FURTHER ORDERED that, if there is any change in the cost of the project, estimated at $4,113,800, which affects rates, or in the scope, design or funding of the project, the City of War file a petition with the Commission for approval of such revisions.

IT IS FURTHER ORDERED that, if there are any changes in the project costs that do not affect rates, the City of War file an affidavit duly executed by its accountant verifying that the City's rates and charges are not affected.

IT IS FURTHER ORDERED that the City of War comply with all rules and regulations of the Division of Highways regarding the use of those rights-of-way.

IT IS FURTHER ORDERED that the City of War file a copy of the engineer's certified tabulation of bids for the project within ten (10) days of the opening date.

IT IS FURTHER ORDERED that the City of War notify the Commission when its engineer has performed the substantial completion inspection.

IT IS FURTHER ORDERED that the rates and tariff changes, as provided in Appendix A, are approved, to become effective upon substantial completion of the Phases 2 through 4 project approved herein and to replace those of the ordinance pertaining to water rates adopted by the City of War on March 17, 2010, which is hereby stricken from the Commission's tariff files.

IT IS FURTHER ORDERED that the City of War file with the Commission's Tariff Office an original and five (5) copies of its tariff implementing the approved rates and other tariff changes, as provided in Appendix A, no later than thirty (30) days after the date of substantial completion of the project approved herein.

IT IS FURTHER ORDERED that the City of War cause to be published, at least once and within (30) days of the effective date of the approved tariff, a copy of the Notice of New Tariff Provisions, attached hereto as Appendix B, in a qualified newspaper, published and of general circulation in McDowell County, and that the City of War file the affidavit of such publication as a closed case filing.

IT IS FURTHER ORDERED that the City of War not implement the new tap fee, reconnection charge, and returned check charge until after publication of the Notice of New Tariff Provisions.

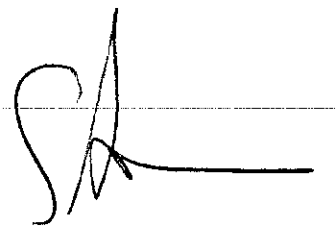
IT IS FURTHER ORDERED that this matter be removed from the Commission's docket of open cases.

IT IS FURTHER ORDERED that the Executive Secretary of the Commission serve a copy of this order upon the Commission by hand delivery, and by electronic service upon all parties of record who have filed an e-service agreement with the Commission and by United States Certified Mail, return receipt requested, upon all parties of record who have not filed an e-service agreement with the Commission.

Leave 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 said 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 aforesaid fifteen (15) day time period, unless it is ordered stayed or postponed by the Commission.

Any party may request waiver of the right to file exceptions to an Administrative Law Judge's Order by filing an appropriate petition in writing with the Executive Secretary. No such waiver will be effective until approved by order of the Commission, nor shall any such waiver operate to make any Administrative Law Judge's Order or Decision the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.



Sunya Anderson
Administrative Law Judge

SA:s
100230ab.wpd

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

CASE NO. 10-0230-W-CN

CITY OF WAR, a municipal utility,
War, McDowell County.
Application for a certificate of convenience and necessity to construct improvements to the existing water distribution system.

and

CASE NO. 10-0534-W-MA

CITY OF WAR, a municipal utility,
War, McDowell County.
Investigation and suspension of increase in water rates and charges as a result of petitions filed in accordance with W.Va. Code §24-2-4b.

APPROVED TARIFF

SCHEDULE DCW

DOMESTIC AND COMMERCIAL WATER

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY OF SERVICE

Available for general domestic and commercial service.

RATES (customers with metered water supply)

First	2,000 gallons used per month	$10.00 per 1,000 gallons
Next	8,000 gallons used per month	$ 7.28 per 1,000 gallons
Next	30,000 gallons used per month	$ 3.95 per 1,000 gallons
Next	60,000 gallons used per month	$ 3.72 per 1,000 gallons
All over	100,000 gallons used per month	$ 3.47 per 1,000 gallons

MINIMUM CHARGE

No minimum bill will be rendered for less than the following amounts according to the meter size installed:

5/8 inch meter	$ 20.00 per month
1 inch meter	$ 50.00 per month
1-1/2 inch meter	$ 100.00 per month
2 inch meter	$ 160.00 per month
3 inch meter	$ 320.00 per month

DELAYED PAYMENT PENALTY

The above schedule is net. On accounts not paid in full when due, ten percent will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

LEAK ADJUSTMENT

$0.79 per 1,000 gallons is 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 shall be applied to all such consumption above the customer's historical average usage.

TAP FEE

The following charge is to be made whenever the utility installs a new tap to serve an applicant.

A tap fee of $150.00 will be charged to all customers who apply for service outside of a certificate proceeding before the Public Service Commission for each new tap to the system.

SECURITY DEPOSIT

A deposit of $50.00 or two-twelfths (2/12) of the average annual usage of the applicant's specific customer class, whichever is greater. This fee may be changed by applicable statutory provisions.

RECONNECTION - $25.00

To be charged whenever the supply of water is turned off for violations of rules, non-payment of bills, or fraudulent use of water.

RETURNED CHECK CHARGE

A service charge equal to the actual bank fee assessed to the City or a maximum of $25.00 will be imposed upon any customer whose check for payment of charges is returned by the bank due to insufficient funds.

SCHEDULE FHP

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 City.

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 accounts not paid in full within twenty (20) days 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 on the Town.

Municipality or Political Subdivision	Assessed Local B&O Tax Percent	Effective Local B&O Tax Percent
Town of War	4.00	4.17

Computed as follows: $\frac{\text{Local Tax Rate}}{\text{1-(Local Tax Rate)}}$

APPENDIX B

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

CITY OF WAR
CASE NOS. 10-0230-W-CN AND 10-0534-W-MA

NOTICE OF NEW TARIFF PROVISIONS

By Recommended Decision issued July 16, 2010, the City of War was authorized to implement the following new provisions of its water tariff:

TAP FEE

The following charge is to be made whenever the utility installs a new tap to serve an applicant.

A tap fee of $150.00 will be charged to all customers who apply for service outside of a certificate proceeding before the Public Service Commission for each new tap to the system.

RECONNECTION - $25.00

To be charged whenever the supply of water is turned off for violations of rules, non-payment of bills, or fraudulent use of water.

RETURNED CHECK CHARGE

A service charge equal to the actual bank fee assessed to the City or a maximum of $25.00 will be imposed upon any customer whose check for payment of charges is returned by the bank due to insufficient funds.

RUS BULLETIN 1780-27
(Automated 8-97

FORM APPROVED
OMB. No. 0575-0015

LOAN RESOLUTION
(Public Bodies)

A RESOLUTION OF THE **Town Council**

OF THE **War City of**

AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS **Water**

FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO

WHEREAS, it is necessary for the **War City of**
(Public Body)

(herein after called Association) to raise a portion of the cost of such undertaking by issuance of its bonds in the principal amount of

FOUR HUNDRED THOUSAND AND XX / 100 DOLLARS ($400,000.00)

pursuant to the provisions of **Chapter 8 Article 19, West Virginia Code** ; and

WHEREAS, the Association intends to obtain assistance from the United States Department of Agriculture, (herein called the Government) acting under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) in the planning. financing, and supervision of such undertaking and the purchasing of bonds lawfully issued, in the event that no other acceptable purchaser for such bonds is found by the Association:

NOW THEREFORE, in consideration of the premises the Association hereby resolves:

1. To have prepared on its behalf and to adopt an ordinance or resolution for the issuance of its bonds containing such items and in such forms as are required by State statutes and as are agreeable and acceptable to the Government.
2. To refinance the unpaid balance, in whole or in part, of its bonds upon the request of the Government if at any time it shall appear to the Government that the Association is able to refinance its bonds by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time as required by section 333(c) of said Consolidated Farm and Rural Development Act (7 U.S.C. 1983(c)).
3. To provide for, execute, and comply with Form RD 400-4, "Assurance Agreement," and Form RD 400-1, "Equal Opportunity Agreement," including an "Equal Opportunity Clause," which clause is to be incorporated in, or attached as a rider to, each construction contract and subcontract involving in excess of $10,000.
4. To indemnify the Government for any payments made or losses suffered by the Government on behalf of the Association. Such indemnification shall be payable from the same source of funds pledged to pay the bonds or any other legally permissible source.
5. That upon default in the payments of any principal and accrued interest on the bonds or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Association (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Association, and default under any such instrument may be construed by the Government to constitute default hereunder.
6. Not to sell, transfer, lease, or otherwise encumber the facility or any portion thereof, or interest therein, or permit others to do so, without the prior written consent of the Government.
7. Not to defease the bonds, or to borrow money, enter into any contractor agreement, or otherwise incur any liabilities for any purpose in connection with the facility (exclusive of normal maintenance) without the prior written consent of the Government if such undertaking would involve the source of funds pledged to pay the bonds.
8. To place the proceeds of the bonds on deposit in an account and in a manner approved by the Government. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.
9. To comply with all applicable State and Federal laws and regulations and to continually operate and maintain the facility in good condition.
10. To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserves. Revenue accumulated over and above that needed to pay operating and maintenance, debt service and reserves may only be retained or used to make prepayments on the loan. Revenue cannot be used to pay any expenses which are not directly incurred for the facility financed by USDA. No free service or use of the facility will be permitted.

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to Department of Agriculture, Clearance Officer, OIRM, Room 404-W, Washington, DC 20250; and to the Office of Management and Budget, Paperwork Reduction Project (OMB No. 0575-0015), Washington, DC 20503.

11. To acquire and maintain such rance and fidelity bond coverage as may be required by the Government.
12. To establish and maintain such books and records relating to the operation of the facility and its financial affairs and to provide for required audit thereof as required by the Government, to provide the Government a copy of each such audit without its request, and to forward to the Government such additional information and reports as it may from time to time require.
13. To provide the Government at all reasonable times access to all books and records relating to the facility and access to the property of the system so that the Government may ascertain that the Association is complying with the provisions hereof and of the instruments incident to the making or insuring of the loan.
14. That if the Government requires that a reserve account be established, disbursements from that account(s) may be used when necessary for payments due on the bond if sufficient funds are not otherwise available and prior approval of the government is obtained. Also, with the prior written approval of the Government, funds may be withdrawn and used for such things as emergency maintenance, extensions to facilities, and replacement of short lived assets.
15. To provide adequate service to all persons within the service area who can feasibly and legally be served and to obtain USDA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the Association or public body.
16. To comply with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.
17. To accept a grant in an amount not to exceed **$ 887,000.00**

    under the terms offered by the Government; that **Mayor**

    and **Recorder** of the Association are hereby authorized and empowered to take all action necessary or appropriate in the execution of all written instruments as may be required in regard to or as evidence of such grant; and to operate the facility under the terms offered in said grant agreement(s).

The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instrument, shall be binding upon the Association as long as the bonds are held or insured by the Government or assignee. The provisions of sections 6 through 17 hereof may be provided for in more specific detail in the bond resolution or ordinance; to the extent that the provisions contained in such bond resolution or ordinance should be found to be inconsistent with the provisions hereof, these provisions shall be construed as controlling between the Association and the Government or assignee.

Yeas 7 Nays 0 Absent 0

IN WITNESS WHEREOF, the **Town Council** of the **War City of** has duly adopted this resolution and caused it to be executed by the officers below in duplicate on this 30th day of July, 2008

War City of

(SEAL)

By Thomas C. Hatcher
Thomas C. Hatcher

Title **Mayor**

Attest:
Peggy Deel
Peggy Deel
Title **Town Recorder**

CERTIFICATION TO BE EXECUTED AT LOAN CLOSING

I, the undersigned, as Recorder of the **War City of**

hereby certify that the **Town Council** of such Association is composed of 7 members, of whom 3 constituting a quorum, were present at a meeting thereof duly called and held on the 30 day of July, 2008; and that the foregoing resolution was adopted at such meeting by the vote shown above, I further certify that as of Jan 27, 2011, the date of closing of the loan from the United States Department of Agriculture, said resolution remains in effect and has not been rescinded or amended in any way.

Dated, this 25th day of Jan, 2011

Peggy Deel

Peggy Deel

Title **Town Recorder**

PHASE III

TOWN OF WAR

Water Revenue Bonds, Series 2011 B
(United States Department of Agriculture)

RECEIPT FOR BOND

The undersigned, authorized representative of the United States Department of Agriculture, Rural Utilities Service, for and on behalf of the United States of America (the "Purchaser"), hereby certifies as follows:

1. On the 27th day of January, 2011, at War, West Virginia, the undersigned received for the Purchaser the single, fully registered the Town of War Water Revenue Bonds, Series 2011 B (United States Department Agriculture), No. BR-1 (the "Series 2011 B Bonds"), in the principal amount of $400,000, dated as of the date hereof, bearing interest at the rate of 2.5% per annum, and payable in monthly installments as stated in the Bond.

2. At the time of such receipt, the Series 2011 B Bonds had been executed and sealed by the designated officials of the Town of War (the "Issuer").

3. At the time of such receipt, there was paid to the Issuer the sum of $157,133.08, being a portion of the principal amount of the Series 2011 B Bonds. The balance of the principal amount of the Series 2011 B Bonds, will be paid to the Issuer as acquisition and construction of the Project progresses.

WITNESS my signature on this 27th day of January, 2011.

Authorized Representative

SPECIMEN

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF WAR
WATER REVENUE BONDS, SERIES 2011 B
(UNITED STATES DEPARTMENT OF AGRICULTURE)

$400,000

No. BR-1

Date: January 27, 2011

FOR VALUE RECEIVED, the TOWN OF WAR (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of FOUR HUNDRED THOUSAND DOLLARS ($400,000), plus interest on the unpaid principal balance at the rate of 2.5% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and $1,360, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

While this Bond is held by an insured lender, prepayments as above authorized made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the

holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Borrower, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Borrower and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

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

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

This Bond is issued to (i) pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing public waterworks system of the Issuer, (ii) pay the Waterworks System Bond Anticipation Notes, Series 2009 B Notes (the "Series 2009 B Notes"); and (iii) pay costs of issuance and related costs.

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of additions, extensions and improvements to the waterworks system (the "System") of the Borrower, is payable solely from the Gross Revenues to be derived from the operation of the System. This Bond does not in any manner constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provision or limitation.

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

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 8, Article 19 of the West Virginia Code, as amended (the "Act"), and a Ordinance of the Borrower duly adopted December 15, 2010 as supplemented by Supplemental Resolution duly adopted by the Issuer on January 19, 2011, authorizing issuance of this Bond (the "Ordinance").

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

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farm and Rural Development Act of 1965, as amended. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ISSUED ON A PARITY, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE BORROWER'S: WATER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED JUNE 26, 2008, IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $215,300 (THE "SERIES 2008 A BONDS" OR THE "PRIOR BONDS"); AND SERIES 2011 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED JANUARY 27, 2011, ISSUED IN THE AGGREGATE PRINCIPAL AMOUNT OF $1,100,000, (THE "SERIES 2011 A BONDS") ISSUED SIMULTANEOUSLY HEREWITH.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the TOWN OF WAR has caused this Bond to be executed by its Mayor and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Recorder, all as of the date hereinabove written.

TOWN OF WAR

[CORPORATE SEAL]

SPECIMEN

Mayor
11701 Hwy 16
War, West Virginia 24892

ATTEST:

SPECIMEN

Recorder

EXHIBIT A

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) $157,133.08	January 27, 2011	(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 $_____

(Form of Assignment)

ASSIGNMENT

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

Dated: _____, 20___.

_____

In the presence of:

_____

PHASE III

TOWN OF WAR

WATER REVENUE BONDS, SERIES 2011 B
(UNITED STATES DEPARTMENT OF AGRICULTURE)

$400,000

REGISTRATION BOOKS

(No writing on these Books except by the Issuer as Registrar)

Bond No.	Date of Registration	In Whose Name Registered	Signature of Secretary of Registrar
BR-1	January 27, 2011	United States Department of Agriculture	Peggy Deel

939100.00006

CH5425645

STEPTOE & JOHNSON PLLC
ATTORNEYS AT LAW

Chase Tower, Eighth Floor
P.O. Box 1588
Charleston, WV 25326-1588
(304) 353-8000 (304) 353-8180 Fax
www.steptoe-johnson.com

Writer's Contact Information

PHASE III

January 27, 2011

Town of War
Water Revenue Bonds, Series 2011 B
(United States Department of Agriculture)

Town of War
War, West Virginia

United States Department of Agriculture
Cross Lanes, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by the Town of War, in McDowell County, West Virginia (the "Issuer"), of its $400,000 Water Revenue Bonds, Series 2011 B (United States Department of Agriculture), dated the date hereof (the "Series 2011 B Bonds"), pursuant to Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and a bond ordinance of the Issuer duly enacted on December 15, 2010, as supplemented by Second Supplemental Resolution duly adopted on January 19, 2011 (collectively, the "Bond Legislation"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the representations of the Issuer contained in the Bond Legislation and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (collectively, the "Act"), for the purposes of (i) paying the Series 2009 B Notes; (ii) paying a portion of the costs of the Project; and (iii) paying certain costs of issuance and related costs.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Issuer is duly created and validly existing as a municipal corporation and political subdivision of the State of West Virginia with full power and authority to adopt and enact the Bond Legislation, perform the agreements on its part contained therein and issue and sell the Series 2011 B Bonds, pursuant to the provisions of the Act and other applicable provisions of law.

2. The Bond Legislation has been duly adopted and enacted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.

Clarksburg, WV • Charleston, WV • Morgantown, WV • Martinsburg, WV • Wheeling, WV
Huntington, WV • Columbus, OH

TERRALEX
The Worldwide Network of Independent Law Firms

3. Pursuant to the Act, the Bond Legislation creates a valid lien on the Gross Revenues of the System for the security of the Series 2011 B Bonds on a parity with 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 "Prior Bonds") and the Water Revenue Bonds, Series 2011 A (United States Department of Agriculture), dated January 27, 2011, issued simultaneously herewith in the original aggregate principal amount of $1,100,000 (the "Series 2011 A Bonds"). Other than the Prior Bonds and the Series 2011 A Bonds, there are no other outstanding bonds or obligations of the Issuer which rank prior to or on a parity with the Series 2011 B Bonds as to liens, pledge and/or source of and security for payment.

4. The Series 2011 B Bonds have been duly authorized, executed and delivered by the Issuer and is a valid and binding special obligation of the Issuer, payable solely from the sources provided therefor in the Bond Legislation.

5. The Series 2011 B Bonds have not been issued on the basis that the interest, if any, thereon is or will be excluded from the gross income of the owners thereof for federal income tax purposes; therefore, the interest on the Series 2011 B Bonds is not excluded from gross income for federal income tax purposes. We express no opinion regarding other federal tax consequences arising with respect to the Series 2011 B Bonds.

6. The Series 2011 B Bonds are, under the Act, exempt from all taxation by the State of West Virginia, and the other taxing bodies of said State, and interest on the Series 2011 B Bonds is exempt from personal and corporate net income taxes imposed directly thereon by the State of West Virginia.

7. The Series 2009 B Notes have been paid within the meaning and with the effect expressed in the Ordinance, as supplemented, pursuant to which they were issued, and the covenants, agreements and other obligations of the Issuer to the holders and owners of the Series 2009 B Notes have been satisfied and discharged.

It is to be understood that the rights of the holder of the Series 2011 B Bonds and the enforceability of the Series 2011 B Bonds, 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 the enforcement thereof may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

STEPTOE & JOHNSON PLLC

939100.00006

CH5425651

RIST, HIGGINS & ASSOCIATES, P.L.L.C.

ATTORNEYS AT LAW
1800 HARPER ROAD
BECKLEY, WEST VIRGINIA 25801

TELEPHONE NO. 304-255-1400/255-4849
FACSIMILE NO. 304-255-6914

JOHN F. RIST III
E-Mail: j.rist@suddenlinkmail.com

JAMES C. HIGGINS
E-Mail: risthiggins@yahoo.com

January 27, 2011

Phase II/ IV & Phase III

Town of War
Water Revenue Bonds, Series 2011 A
Water Revenue Bonds, Series 2011 B
(United States Department of Agriculture)

Town of War
War, West Virginia

Steptoe & Johnson PLLC
Charleston, West Virginia

Ladies and Gentlemen:

I am counsel to the Town of War, a municipal corporation and political subdivision of the State of West Virginia in McDowell County (the "Issuer"). As such counsel, we have reviewed copies of the approving opinion of Steptoe & Johnson PLLC, as bond counsel, a bond ordinance of the Issuer duly enacted on December 15, 2010 and a Supplemental Resolutions duly adopted by the Issuer on January 19, 2011 (collectively, the "Bond Legislation"), and other documents and papers relating to the Issuer and the above-captioned Bonds of the Issuer (the "Bonds"). Terms used in the Bond Legislation and not otherwise defined herein shall have the same meaning set forth in the Bond Legislation when used herein.

I am of the opinion that:

1. The Issuer has been duly created and is validly existing as a municipality and political subdivision of the State of West Virginia.

2. The Mayor, Recorder, and members of the Council of the Issuer have been duly, lawfully and properly elected or appointed, as applicable, have taken the requisite oaths, and are authorized to act in their respective capacities on behalf of the Issuer.

3. The Bond Legislation has been duly adopted and enacted by the Issuer, is in full force and effect as of the date hereof and constitutes a valid and binding obligation of the Issuer enforceable in accordance with its terms.

4. The execution and delivery of the Bonds and the consummations of the transactions contemplated by the Bonds 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 order, resolution, agreement or other instrument to which Issuer is a party, and of which I am aware or by which the Issuer or its properties are bound, and of which I am aware, or any existing law, regulation, rule, court order or consent decree to which the issuer is subject.

5. All permits, licenses, approvals, consents, certificates, orders, exemptions and authorizations necessary for the creation and existence of the Issuer, the issuance of the Bonds, the acquisition and construction of the Project, the operation of the System and the imposition of rates and charges have been entered and/or received, including, without limitation, all requisite orders, certificates, consents and approvals from the Public Service Commission of West Virginia, and the Issuer has duly taken any other action required for the imposition of such rates and charges, including, without limitation, the enactment of an ordinance prescribing such rates and charges, the time for appeal of which has expired prior to the date hereof without appeal.

6. The Issuer has received all orders and approvals from the Public Service Commission of West Virginia, including the Recommended Decision entered on July 16, 2010 which became Final Order on August 5, 2010 in Case No. 10-0230-W-CN, among other things, granting to the Issuer certificate of convenience and necessity for the Project and approving the financing for the Project. The time for appeal of such Final Order has expired prior to the date hereof without any appeal. Such Order is not subject to any appeal, further hearing, reopening or rehearing by any customer, protestant, intervenor or other person not a party to such Order. The Order remains in full force and effect.

7. To the best of my knowledge, there is no 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 Bonds and the Bond Legislation, the acquisition and construction of the Project, the operation of the System, the validity of the Bonds, or the collection or pledge of the Gross Revenues therefor.

8. I express no other opinion other than those expressly stated hereinabove. Without limiting the generality of the foregoing sentence, we express no opinion as to the tax, bond or securities laws of the United States or of any state thereof.

9. This opinion is rendered only for the benefit of the addressees and may not be relied upon by other parties without prior written consent. No attorney-client privilege is waived or intended to be waived by this opinion.

Very truly yours,

RIST, HIGGINS & ASSOCIATES, PLLC

John F. Rist, III

JFR/lp

SPILMAN THOMAS & BATTLE, PLLC

ATTORNEYS AT LAW

January 27, 2011

Town of War
Water Revenue Bonds, Series 2011 A; and
Water Revenue Bonds, Series 2011 B
(United States Department of Agriculture)

PHASE II/IV & PHASE III

Town of War
War, West Virginia

John F. Rist, III, Esquire
Rist, Higgins & Associates, P.L.L.C.
Beckley, West Virginia

Steptoe & Johnson PLLC
Charleston, West Virginia

Ladies and Gentlemen:

We are special PSC counsel to the Town of War, a municipal corporation and political subdivision of the State of West Virginia in McDowell County of said State (the "Issuer"). As such counsel, we have represented the Issuer before the Public Service Commission of West Virginia in connection with the issuance of the above-referenced bonds, and the acquisition and construction of the Project. We are of the opinion that the Issuer has received all orders and approvals from the Public Service Commission of West Virginia, including the Recommended Decision entered on July 16, 2010, which became a Final Order on August 5, 2010, in Case No. 10-0230-W-CN, among other things, granting to the Issuer a certificate of convenience and necessity for the Project and approving the financing for the Project. The time for appeal of such Final Order has expired prior to the date hereof without any appeal. The Order remains in full force and effect.

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

Very truly yours,

Spilman Thomas & Battle, PLLC

SPILMAN THOMAS & BATTLE, PLLC

SJR/rcs
2607073

PHASE III

TOWN OF WAR

Water Revenue Bonds, Series 2011 B
(United States Department of Agriculture)

COMBINED CERTIFICATE OF ISSUER AND ATTORNEY ON:

1. AUTHORIZATION AND AWARD OF BOND
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS
4. PUBLICATION AND NO PROTEST
5. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
6. SIGNATURES, ETC.
7. CERTIFICATION OF COPIES OF DOCUMENTS
8. INCUMBENCY AND OFFICIAL NAME, ETC.
9. DELIVERY AND PAYMENT AND USE OF PROCEEDS
10. LAND AND RIGHTS OF WAY
11. MEETINGS; PUBLICATION AND POSTING OF NOTICES, ETC.
12. CONTRACTORS' INSURANCE, ETC.
13. MANAGEMENT
14. CONFLICT OF INTEREST
15. PROCUREMENT OF ENGINEERING SERVICES
16. 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, acting for the Issuer and in its name, hereby state and certify on this 27th day of January, 2011, in connection with the Town of War Water Revenue Bonds, Series 2011 B (United States Department of Agriculture), No. BR-1, fully registered, dated the date hereof, in the principal amount of $400,000, and bearing interest at the rate of 2.5% per annum (the "Series 2011 B Bonds") as follows:

1. AUTHORIZATION AND AWARD OF BOND: The undersigned are authorized to execute this certificate on behalf of the Issuer and are knowledgeable with respect to the matters set forth herein. The entire issue of the Series 2011 B Bonds have been duly awarded to the United States of America, acting by the United States Department of Agriculture, Rural Utilities Service (the "Purchaser"), pursuant to a Letter of Conditions from the Purchaser, dated July 30, 2008, as amended, and as appears in Section 7.03 of the Bond Ordinance duly enacted on December 15, 2010, as supplemented by Second Supplemental Resolution duly adopted by the Issuer on January 19, 2011, authorizing issuance of the Bond (collectively, the "Ordinance" or "Bond Ordinance"). Terms used herein and not otherwise defined herein shall have the same meaning as defined in the Bond Ordinance when used herein. The Series 2011

B Bonds are being issued on this date to permanently finance a portion of the cost of acquisition and construction of the Project located within the boundaries of the Issuer and to pay costs of issuance thereof.

2. NO LITIGATION: No controversy or litigation of any nature is now pending, or, to the knowledge of any of the undersigned, threatened, restraining, enjoining or affecting the issuance and delivery of the Series 2011 B Bonds or receipt of any grant moneys committed for the System; nor questioning the proceedings and authority by which the Issuer authorized the issuance and sale of the Series 2011 B Bonds; nor in any way questioning or affecting the validity of the grants committed for the System or the Series 2011 B Bonds, or any provisions made or authorized for the payment thereof, including, without limitation, the pledge or application of the Gross 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 and construction of the Project, the operation of the System, the pledge or application of moneys and security or the collection of the Gross Revenues; nor questioning the existence, powers or proceedings of the Issuer or the Council of the Issuer (the "Governing Body") or the title of the members and officers thereof to their respective offices; nor questioning the operation of the waterworks system of the Issuer (the waterworks system, as improved and expanded by the Project, as defined in the Ordinance, is herein called the "System") or the acquisition and construction of the Project being financed in part out of the proceeds of sale of the Series 2011 B Bonds; nor questioning the rates and charges provided for services of the System

3. GOVERNMENTAL APPROVALS: All applicable and necessary approvals, permits, authorizations, registrations, exemptions, consents and certificates required by law for the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Series 2011 B Bonds have been duly and timely obtained and remain in full force and effect, the time for appeal of which or rehearing having expired. Competitive bids for the acquisition and construction of the Project have been solicited in accordance with Chapter 5, Article 22, Section 1 of the Official West Virginia Code of 1931, as amended, which bids remain in full force and effect.

The Issuer has received the Recommended Decision of the Public Service Commission of West Virginia dated July 16, 2010 which became Final Order on August 5, 2010 in Case No. 10-0230-W-CN, granting to the Issuer a certificate of public convenience and necessity for the Project, and approving the financing for the Project. The time for appeal of the Commission Order has expired prior to the date hereof. Such Order remains in full force and effect.

The Issuer enacted water rates and charges for the System on March 17, 2010 as amended by Recommended Decision of the Public Service Commission of West Virginia dated July 16, 2010 which became Final Order on August 5, 2010 in Case No. 10-0534-W-MA of the Public Service Commission of West Virginia. The time for appeal of such rates has expired prior to the date hereof without any timely appeals having been filed.

4. PUBLICATION AND NO PROTEST: Notice of public hearing upon the Bond Ordinance, as supplemented, was duly published as required by law.

There was not any protest to the passage of the Bond Ordinance, oral or written, and the Bond Ordinance became fully effective following the public hearing thereon and remains in full force and effect.

5. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the Issuer or the System since the approval by the Purchaser of a loan to assist in acquisition and construction of the Project.

The Issuer has outstanding its 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 "Series 2008 A Bonds" or the "Prior Bonds"). The Series 2011 B Bonds are payable from and secured by a first lien on the Gross Revenues of the System. The Series 2011 B Bonds shall be issued on a parity with the Series 2008 A Bonds and the Series 2011 A Bonds, issued simultaneously, with respect to liens, pledge and source of and security for payment and in all other respects.

Prior to the issuance of the Series 2011 B Bonds, the Issuer will obtain (i) a certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Series 2008 A Bonds and the Series 2011 B Bonds are met; and (ii) the written consent of the Holders of the Series 2008 A Bonds to the issuance of the Series 2008 A Bonds on a parity with the Series 2011 B Bonds. Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues of the System.

The Issuer is not in default under the terms of the Prior Bonds, the ordinance and resolution authorizing the Prior Bonds or any document in connection therewith, and has complied with all requirements of all the foregoing with respect to the issuance of parity bonds or has obtained a sufficient and valid consent or waiver thereof.

6. SIGNATURES, ETC.: The undersigned Mayor and Recorder did, for the Issuer on the date hereof, officially execute and seal the Series 2011 B Bonds with the official corporate seal of the Issuer, an impression of which seal is on this certificate above our signatures and said officers are the duly elected or appointed (as applicable), qualified and serving officers as indicated by the official titles opposite their signatures below, and are duly authorized to execute and seal the Series 2011 B Bonds for the Issuer.

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

Bond Ordinance

Prior Bond Ordinance and Supplemental Resolution

Consent of West Virginia Water Development Authority to Issuance of Parity Bonds

Public Service Commission Orders

United States Department of Agriculture Loan Resolution

Specimen Series 2011 B Bond

Charter

Oaths of Office of Officers and Council Members

Resolution on Open Governmental Proceedings

Water Rate Ordinance

Affidavit of Publication on Rate Ordinance

Minutes on Adoption and Enactment of Rate Ordinance

Affidavit of Publication on Bond Ordinance

Minutes on Adoption and Enactment of Bond Ordinance

United States Department of Agriculture Letter of Conditions and Closing Instructions

Receipt of Depository Bank

Receipt and Release of Series 2009 B Notes

8. INCUMBENCY AND OFFICIAL NAME, ETC.: 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 councilmembers, 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:

Name		Date of Commencement of Office	Date of Termination of Office
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 John Rist, Beckley, West Virginia.

9. DELIVERY AND PAYMENT AND USE OF PROCEEDS: On the date hereof, the Series 2011 B Bonds were delivered to the Purchaser at War, West Virginia, by the undersigned Mayor for the purposes herein set forth, and at the time of such delivery, the Series 2011 B Bonds had been duly and fully executed and sealed on behalf of the Issuer in accordance with the Bond Ordinance.

At the time of delivery of the Series 2011 B Bonds, the amount of $157,133.08 was received by the undersigned Mayor, being a portion of the principal amount of the Series 2011 B, the balance to be paid as acquisition and construction of the Project progresses.

The Series 2011 B Bond is dated the date hereof and interest on advances thereon at the rate of 2.5% per annum is payable from the date of each respective advance.

The Series 2011 B Bonds and the entire proceeds thereof will be used for the purposes herein set forth and for no other purposes.

10. LAND AND RIGHTS OF WAY: All land in fee simple and all rights of way and easements necessary for the acquisition and construction of the Project, the operation and maintenance of the System have been acquired or can and will be acquired by purchase, or, if necessary, by condemnation by the Issuer and are adequate for such purposes and are not or will not be subject to any liens, encumbrances, reservations or exceptions which would adversely affect or interfere in any way with the use thereof for such purposes. The costs thereof, including costs of any properties which may have to be acquired by condemnation, are, in the opinion of all the undersigned, within the ability of the Issuer to pay for the same without jeopardizing the security of or payments on the Series 2011 B Bonds.

11. MEETINGS; PUBLICATION AND POSTING OF NOTICES, 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 acquisition, construction, operation and financing of the Project and the System were authorized, enacted or adopted at meetings of the Governing Body of the Issuer duly and regularly called and held pursuant to the Charter of the Issuer and any 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 published and/or posted were so published and/or posted.

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

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

14. CONFLICT OF INTEREST: No officer or employee of the Issuer has a substantial financial interest, direct, indirect or by reason of ownership of stock in any corporation, in any contract with the Issuer or in the sale of any land, materials, supplies or services to the Issuer or to any contractor supplying the Issuer, relating to the Bond, the Bond Ordinance and/or the Project, including, without limitation, with respect to the Depository Bank, as defined in the Bond Ordinance. 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.

15. 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.

16. 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 corporate seal of the TOWN OF WAR on the day and year first written above.

[CORPORATE SEAL]

SIGNATURE	OFFICIAL TITLE
Thomas C. Hatcher	Mayor
Peggy Dyer	Recorder
	Counsel to Issuer (to the best of my knowledge and belief)

939100.00006

TOWN OF WAR

Water Revenue Bonds, Series 2011 B
(United States Department of Agriculture)

ENGINEER'S CERTIFICATE

I, Douglas Hudgins, P.E., Registered Professional Engineer, West Virginia License No. 017250, of Olver – A CHA Company, Blacksburg, Virginia, hereby certify that my firm is the engineer for the acquisition and construction of improvements and extensions to the existing waterworks system (the "Project") of the Town of War (the "Issuer"), to be acquired and constructed in McDowell County, West Virginia, which acquisition and construction are being financed in whole or in part by the above-captioned revenue bonds of the Issuer.

I further certify that the Project will, to the best of my knowledge, be constructed in accordance with plans and specifications prepared by my firm and that such system and Project are situated wholly or chiefly within the boundaries of the Issuer.

I further certify that the Project is adequate for the purposes for which it was designed and that all necessary governmental approvals, consents, authorizations, certificates and permits for the acquisition and construction thereof have been obtained or can and will be obtained.

WITNESS my signature on this 27th day of January, 2011.

DOUGLAS B. HUDGINS
REGISTERED
(SEAL) 17250
STATE OF
WEST VIRGINIA
PROFESSIONAL ENGINEER
1/27/2011

OLVER – A CHA COMPANY

Douglas Hudgins, P.E.
West Virginia License No. 017250

11.04.10
939100.00006

Attachment No. 1 to Letter of Conditions
For: City of War (Phase III)
Closing Budget - January 27, 2011

Project Construction Budget

PROJECT COST	RUS LOAN	RUS GRANT	SUBSEQUENT RUS GRANT	TOTAL
CONSTRUCTION	$ 102,153.19	$ 881,746.81	$ 112,517.00	$ 1,096,417.00
CONST. CONTINGENCY			$ 67,783.00	$ 67,783.00
LAND & RIGHTS	$ 5,998.67	$ 1,301.33		$ 7,300.00
LEGAL FEES	$ 21,000.00			$ 21,000.00
BOND COUNSEL	$ 11,000.00			$ 11,000.00
ACCOUNTING	$ 5,000.00			$ 5,000.00
ENGINEERING FEES	$ 150,399.83			$ 150,399.83
Basic - $76,100				
Insp. - $53,000				
Special - $19,500				
INTEREST	$ 31,400.00			$ 31,400.00
PERMITS	$ 17,700.00			$ 17,700.00
TECHNICAL SERVICES	$ 40,000.00			$ 40,000.00
*INTERIM FINANCING EXPENSE	$ 15,348.31			$ 15,348.31
PROJECT CONTINGENCY		$ 3,951.86		$ 3,951.86
TOTAL	**$ 400,000.00**	**$ 887,000.00**	**$ 180,300.00**	**$ 1,467,300.00**

* INCLUDES INTEREST PAYMENT OF $7010.31 AND CLOSING COSTS OF $8338.00

Teed & Associates, PLLC

Certified Public Accountants

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

James L. Teed, CPA
james_teed2000@yahoo.com
Stephen P. Glaser, CPA, MBA
steve@teedandassociates.com
Roy A. Smith, CPA
roy@teedandassociates.com

January 27, 2011

Town of War
Water Revenue Bonds, Series 2011 A; and
Water Revenue Bonds, Series 2011 B
(United States Department of Agriculture)

Phase II & IV & Phase III

Town of War
War, West Virginia

United States Department of Agriculture
Cross Lanes, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

Ladies and Gentlemen:

Based upon the rates and charges set forth in the water rate ordinance enacted by the Town of War (the "Issuer") on March 17, 2010 as amended by Recommended Decision dated July 16, 2010 in Case No. 10-0534-W-MA of the Public Service Commission of West Virginia and projected operation and maintenance expenses and anticipated customer usage as furnished to me by the Issuer, it is our opinion that such rates and charges will be sufficient to provide revenues which, together with other revenues of the waterworks system (the "System") of the Issuer, will pay all repair, operation and maintenance 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 2011 A (United States Department of Agriculture) issued in the original aggregate principal amount of $1,100,000, and Water Revenue Bonds, Series 2011 B (United States Department of Agriculture) issued in the original aggregate principal amount of $400,000 (collectively, the "Series 2011 Bonds"), and the Issuer's outstanding 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 "Series 2008 A Bonds").

It is further our opinion that the Net Revenues actually derived from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of the Series 2011 Bonds, plus the estimated average increased annual Net Revenues expected to be received in each of the 3 succeeding years after the completion of the improvements to be financed by the Series 2011 Bonds, are not less than 115% of the largest aggregate amount that will mature and become due in any succeeding fiscal year for the principal of and interest on the Series 2011 Bonds and the Series 2008 A Bonds currently outstanding.

Sincerely,

Teed & Associates, PLLC

TEED & ASSOCIATES, PLLC

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 namedthe 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 procesdings 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 Additon 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 354 feet crossing Dry Fork, passing through Mile post No. 22 of the Iaeger and Southern Rail Road Company to the BEGINNING. Area 165.61acres;

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, Pope Fite, Plaintiff,
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 16th 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

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 DAYOF 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
11701 Highway 26 South, PO Box 280
War, West Virginia 24892
304-875-3111 Telephone and Fax
304-875-2213 Police and Fax
cityofwar@wv.securespeed.us

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 and the Constitution of the State of West Virginia, and the Statutes of the City of War a nd that 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 ability, skill and judgment.

Given under my hand this the 30th day of June, 2009.

Thomas C. Hatcher
Thomas C. Hatcher

Peggy Deel
Peggy Deel, Recorder

Subscribed and sworn before me this 30th day of June, 2009.

My commission expires December 24, 2017.

(SEAL)

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
KITTEN CEMPELLA
CITY OF WAR
P. O. BOX 280
WAR, WV 24892
My commission expires December 24, 2017

Kitten Cempella
Notary Public

City of War
11701 Highway 26 South, PO Box 280
War, West Virginia 24892
304-875-3111 Telephone and Fax
304-875-2213 Police and Fax
cityofwar@wv.securespeed.us

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 and the Constitution of the State of West Virginia, and the Statutes of the City of War, and that 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 ability, skill and judgment.

Given under my hand this the 1st day of July, 2009.

Manuel Collins

Manuel Collins

Thomas C. Hatcher

Thomas C. Hatcher, Mayor

Subscribed and sworn before me this 1st day of July, 2009.

My commission expires December 24, 2017.

(SEAL)

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
KITTEN CEMPELLA
CITY OF WAR
P. O. BOX 280
WAR, WV 24892
My commission expires December 24, 2017

Kitten Cempella

Notary Public

City of War
11701 Highway 26 South, PO Box 280
War, West Virginia 24892
304-875-3111 Telephone and Fax
304-875-2213 Police and Fax
cityofwar@wv.securespeed.us

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 and the Constitution of the State of West Virginia, and the Statutes of the City of War, and that 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 ability, skill, and judgment.

Given under my hand this the 1st day of July, 2009.

Margaret Beavers
Margaret Beavers

Thomas C. Hatcher
Thomas C. Hatcher, Mayor

Subscribed and sworn before me this 1st day of July, 2009.

My commission expires December 24, 2017.

(SEAL)

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
KITTEN CEMPELLA
CITY OF WAR
P. O. BOX 280
WAR, WV 24892
My commission expires December 24, 2017

Kitten Cempella
Notary Public

City of War

11701 Highway 26 South, PO Box 280
War, West Virginia 24892
304-875-3111 Telephone and Fax
304-875-2213 Police and Fax
cityofwar@wv.securespeed.us

STATE OF WEST VIRGINIA
COUNTY OF MCDOWELL
CITY OF WAR

OATH OF OFFICE

I, Orbie Campbell, do solemnly swear and affirm that I will support the Constitution of the United States of America and the Constitution of the State of West Virginia, and the Statutes of the City of War, and that 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 ability, skill and judgment.

Given under my hand this the 30th day of June, 2009.

Orbie Campbell

Orbie Campbell

Thomas C. Hatcher

Thomas C. Hatcher, Mayor

Subscribed and sworn before me this 30th day of June, 2009.

My commission expires December 24, 2017.

(SEAL)

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
KITTEN CEMPELLA
CITY OF WAR
P. O. BOX 280
WAR, WV 24892
My commission expires December 24, 2017

Kitten Cempella

Notary Public

City of War

11701 Highway 26 South, PO Box 280
War, West Virginia 24892
304-875-3111 Telephone and Fax
304-875-2213 Police and Fax
cityofwar@wv.securespeed.us

STATE OF WEST VIRGINIA
COUNTY OF MCDOWELL
CITY OF WAR

OATH OF OFFICE

I, Katie Linkous, do solemnly swear and affirm that I will support the Constitution of the United States of America and the Constitution of the State of West Virginia, and the Statutes of the City of War, and that 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 ability, skill and judgment.

Given under my hand this the 1st day of July, 2009.

Katie Linkous

Katie Linkous

Thomas C. Hatcher

Thomas C. Hatcher, Mayor

Subscribed and sworn before me this 1st day of July, 2009.

My commission expires December 24, 2017.

(SEAL)

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
KITTEN CEMPELLA
CITY OF WAR
P. O. BOX 280
WAR, WV 24892
My commission expires December 24, 2017

Kitten Cempella

Notary Public

City of War

11701 Highway 26 South, PO Box 280
War, West Virginia 24892
304-875-3111 Telephone and Fax
304-875-2213 Police and Fax
cityofwar@wv.securespeed.us

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 and the Constitution of the State of West Virginia, and the Statutes of the City of War, and that 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 ability, skill, and judgment.

Given under my hand this the 30th day of June, 2009.

Peggy Deel

Peggy Deel

Subscribed and sworn before me this 30th day of June, 2009.

My commission expires December 24, 2017.

(SEAL)

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
KITTEN CEMPELLA
CITY OF WAR
P. O. BOX 280
WAR, WV 24892
My commission expires December 24, 2017

Kitten Cempella

Notary Public

City of War
11701 Highway 26 South, PO Box 280
War, West Virginia 24892
304-875-3111 Telephone and Fax
304-875-2213 Police and Fax
cityofwar@wv.securespeed.us

STATE OF WEST VIRGINIA
COUNTY OF MCDOWELL
CITY OF WAR

OATH OF OFFICE

I, Paul Whitt, do solemnly swear and affirm that I will support the Constitution of the United States of America and the Constitution of the State of West Virginia, and the Statutes of the City of War, and that 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 ability, skill and judgment.

Given under my hand this the 1st day of July, 2009.

Paul Whitt

Thomas C. Hatcher

Thomas C. Hatcher, Mayor

Subscribed and sworn before me this 1st day of July, 2009.

My commission expires December 24, 2017.

(SEAL)

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
KITTEN CEMPELLA
CITY OF WAR
P. O. BOX 280
WAR, WV 24892
My commission expires December 24, 2017

Kitten Cempella

Notary Public

CITY OF WAR

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

ORDINANCE 2010-2

CITY OF WAR, WEST VIRGINIA

ORDINANCE PROVIDING FOR INCREASED RATES FOR WATER SERVICES OF THE MUNICIPALLY OWNED AND OPERATED WATER UTILITY OF THE CITY OF WAR, MCDOWELL COUNTY, WEST VIRGINIA, TO ALL CUSTOMERS SERVED BY SAID MUNICIPALLY OPERATED PUBLIC UTILITY.

WHEREAS, in order to protect the public health, safety and welfare, the Council of the City of War ("City Council") has determined that it is necessary for the City of War to complete a project of improvements to the existing water public utility system of the City of War (the "Water System"), consisting of replacements, rehabilitation, and improvements to the water distribution system (the "Project"); and

WHEREAS, in order for the City to collect annual revenues necessary to pay the operation and maintenance expenses, and the debt service, including the Project additions, of the Water System, the existing rates and charges for water service to the customers of the City's Water System must be increased.

NOW, THEREFORE, BE IT ORDAINED AND ENACTED by the municipality of War, McDowell County, West Virginia:

SECTION 1. That the present rates and charges of the municipally operated water public utility of the City of War, McDowell County, West Virginia, charged for providing water services to its customers, be and hereby are increased by providing for monthly rates and charges under the following schedule of rates and charges for furnishing water services:

APPLICABILITY

Applicable in War, McDowell County, West Virginia.

AVAILABILITY OF SERVICE

Available for general domestic, commercial, and industrial service.

RATES

First	2,000 gallons used per month	$11.70 per 1,000 gallons
Next	3,000 gallons used per month	$ 8.09 per 1,000 gallons
Next	5,000 gallons used per month	$ 7.33 per 1,000 gallons
Next	30,000 gallons used per month	$ 6.72 per 1,000 gallons
Next	60,000 gallons used per month	$ 6.32 per 1,000 gallons
All Over	100,000 gallons used per month	$ 5.90 per 1,000 gallons

MINIMUM CHARGE

No bill will be rendered for less than the following amount, depending on the size of meter, to-wit:

5/8 inch meter	$ 23.40 per month
3/4 inch meter	$ 35.09 per month
1 inch meter	$ 58.45 per month
1 - 1/4 inch meter	$ 85.30 per month
1 - 1/2 inch meter	$ 116.88 per month
2 inch meter	$ 187.00 per month
3 inch meter	$ 351.05 per month
4 inch meter	$ 585.08 per month
5 inch meter	$ 1,170.17 per month
6 inch meter	$ 1,554.11 per month

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full when due, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

LEAK ADJUSTMENT

$0.63 per 1,000 gallons. To be charged for all water billed in excess of the customer's historical usage when the bill reflects unusual consumption which is attributable to eligible leakage on the customer's side of the meter.

TAP FEE

The following charges are to be made whenever the utility installs a new tap to serve an applicant.

A tap fee of $150.00 will be charged to all customers who apply for service outside of a certificate proceeding before the Public Service Commission for each new tap to the system.

SECURITY DEPOSIT

Not to exceed one-twelfth (1/12) of the annual estimated charge for residential service or one-sixth (1/6) of the annual estimated charge for commercial, or fifty dollars, whichever is greater.

RECONNECTION FEE $25.00

To be charged whenever the supply of water is turned off for violations of rules, non-payment of bills or fraudulent use of water.

RETURNED CHECK CHARGE

A service charge equal to the actual bank fee assessed to the utility or a maximum of $25.00 will be imposed upon any customer whose check for payment of charges is returned by their bank due to insufficient funds.

SCHEDULE FHP - 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 utility.

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 the 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 schedule is net. On all accounts not paid in full when due, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

LOCAL TAX SURCHARGE:

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

Municipality or Political Subdivision	Assessed Local B&O Tax Percent	Effective Local B&O Tax Percent
City of War	4.00	4.37

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

SECTION 2. That in accordance with the provisions of Chapter 24, Article 2, Section 4(b) of the Code of West Virginia, 1931, as amended, the rules and regulations and the rates and charges provided for herein shall be effective no sooner than 45 days from the date of adoption.

SECTION 3. That, in accordance with the requirements of Chapter 8, Article 11, Section 4 of the Code of West Virginia, 1931, as amended, the City shall cause the proposed Ordinance to be read by title (or in full, if so demanded by a member of the governing body) at two meetings of the governing body with at least one week intervening between each meeting. The City shall cause notice of the proposed adoption of this Ordinance to be published as a Class I-0 legal advertisement, with the publication being made at least five days before the meeting at which this Ordinance is to be finally adopted, and with said notice meeting the other requirements set forth in Code §§ 59-3-1 *et seq.*

SECTION 4. That, in accordance with the Public Service Commission's *Rules for the Construction and Filing of Tariffs*, 150 CSR 2, notice of this Ordinance shall be provided by (a) causing to be published the Commission's Tariff Form No. 12 as a Class II legal advertisement, with the first publication occurring within five days after the adoption of this Ordinance, in a qualified newspaper of general circulation in the area of War, and (b) requesting to be published a press release that contains the substance of Tariff Form No. 12, in a qualified newspaper of general circulation in the area of War, (c) posting a notice that conforms with Tariff Form No. 12 in a conspicuous place at the Water Board's business premises beginning the day after the City Council Meeting at which this Ordinance is adopted and continuing for 30 days, and (d) filing with the Public Service Commission, within 5 days after the adoption of this Ordinance, a copy of this Ordinance along with other information as required by Section 22.1.f of the *Tariff Rules*.

SECTION 5. All prior ordinances or parts of ordinances, inconsistent with this Ordinance are hereby repealed to the extent of such inconsistency.

SECTION 6. This Ordinance shall be effective immediately upon adoption.

PASSED AND APPROVED at the first reading of the said adopted ordinance on the 3rd day of March, 2010, and at a second reading of said adopted ordinance on the 17th day of March, 2010.

Thomas C. Hatcher
Mayor

ATTEST:

Peggy Deel
Recorder

CERTIFICATE

I, Peggy Deel, Recorder of the City of War, McDowell County, West Virginia, hereby certify that the foregoing is an exact and true copy of the ordinance of the City of War adopted at a regular meeting of the City Council held on 3rd day of March, 2010, and at a regular meeting held on the 17th day of March, 2010, all duly and legally called and quorum present and voting.

Given under my hand and official seal of the City of War, this 17th day of March, 2010

Peggy Deel
City Recorder

(SEAL)

AFFIDAVIT OF PUBLICATION:

State of West Virginia
County of McDowell, to wit:

I, Ruby F. McCoy, being first duly sworn upon my oath, do depose and say that I am the Asst. Editor of the Welch Daily News, Inc., a corporation, publisher of the newspaper entitled **The Industrial News**, a Democrat newspaper; that I have been duly authorized by the board of directors of such corporation to execute this affidavit of publication; that such newspaper has been published for more than one year prior to publication of the annexed notice described below; that such newspaper is regularly published weekly, for a least fifty weeks during the calendar year, in the Municipality of Iaeger, 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 area or areas of the aforesaid Municipality and McDowell County, West Virginia; that such newspaper averages in length four or more pages, exclusive of any cover, per issue, that such newspaper is circulated to the general public at a definite price or consideration; that such newspaper is a newspaper to which the general public resorts for passing events of a political, religious, commercial and social nature, and for current happenings, announcements, miscellaneous reading matters, advertisements, and other notices; that the annexed notice of

Notice of public hearing on City of War Water Rate Ordinance.

was duly published in said newspaper once a week for 1 successive weeks, (Class I), commencing with the issue of the 10 day of March, 2010, and ending with the issue of the 10 day of March, 2010 (and was posted at the (if required)

_____ on the

day of _____, 20____ that said annexed notice was published on the following dates: 3/10/10

and that the cost of publishing said annexed notice as aforesaid was $ 169.74

Ruby F. McCoy

Ruby F. McCoy, Asst. Editor
The Industrial News

Taken subscribed and sworn to before me in my said county this 10 day of March, 2010.

My Commission expires Aug 29 2011

Leshia A. Ratliff
Notary Public, State of West Virginia

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
LESHIA A. RATLIFF
P. O. BOX 603
IAEGER, WV 24844
My commission expires August 29, 2011

LEGAL NOTICE

NOTICE OF PUBLIC HEARING ON CITY OF WAR WATER RATE ORDINANCE

A public hearing will be held on the following Ordinance at a regular meeting of the Council of the City of War (the "City Council") to be held on March 17, 2010, at 6 p.m. in the War City hall, and at such hearing any person interested may appear before the City Council and present protests, and all protests and suggestions shall be heard by the Council and it shall then take such actions as it shall deem proper in the premises upon the following Ordinance.

ORDINANCE PROVIDING FOR INCREASED RATES FOR WATER SERVICES OF THE MUNICIPALLY OWNED AND OPERATED WATER UTILITY OF THE CITY OF WAR, MCDOWELL COUNTY, WEST VIRGINIA, TO ALL CUSTOMERS SERVED BY SAID MUNICIPALLY OPERATED PUBLIC UTILITY

WHEREAS, In order to protect the public health, safety and welfare, the Council of the City of War (City Council) has determined that it is necessary for the City of War to complete a Project of improvements to the existing water public utility system of the City of War (the "Water System"), consisting of replacements, rehabilitation, and improvements to the water distribution system (the "Project"); and

WHEREAS, In order for the City to collect annual revenues necessary to pay the operation and maintenance expenses and the debt service (including the Project) cost of the Water System, the existing rates and charges for water service to the customers of the City's Water System must be increased;

NOW, THEREFORE, BE IT ORDAINED AND ENACTED by the municipality of War, McDowell County, West Virginia:

SECTION 1: That the present rates and charges of the municipally operated water public utility of the City of War, McDowell County, West Virginia, charged for providing water services to its customers, be and hereby are increased by providing for monthly rates and charges under the following schedule of rates and charges for furnishing water services:

APPLICABILITY

Applicable in War, McDowell County, West Virginia.

AVAILABILITY OF SERVICE

Available for general domestic, commercial, and industrial service.

RATES:

First 2,000 gallons used per month $11.70 per 1,000 gallons

Next 3,000 gallons used per month $8.09 per 1,000 gallons

Next 5,000 gallons used per month $7.33 per 1,000 gallons

Next 30,000 gallons used per month $6.72 per 1,000 gallons

Next 60,000 gallons used per month $6.32 per 1,000 gallons

All Over 100,000 gallons used per month $5.90 per 1,000 gallons

MINIMUM CHARGE

No bill will be rendered for less than the following amounts, depending on the size of meter, to wit:

5/8 inch meter $23.40 per month

3/4 inch meter $35.09 per month

1 inch meter $58.45 per month

1 1/4 inch meter $85.00 per month

1 1/2 inch meter $116.88 per month

2 inch meter $187.00 per month

3 inch meter $351.05 per month

4 inch meter $585.08 per month

5 inch meter $1,170.17 per month

6 inch meter $1,554.11 per month

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full when due, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

LEAK ADJUSTMENT

$0.63 per 1,000 gallons. To be charged for all water billed in excess of the customer's historical usage when the bill reflects unusual consumption which is attributable to eligible leakage on the customer's side of the meter.

TAP FEE

The following charges are to be made whenever the utility installs a new tap to serve an applicant.

A tap fee of $150.00 will be charged to all customers who apply for service outside of a certificate proceeding before the Public Service Commission for each new tap to the system.

SECURITY DEPOSIT

Not to exceed one-twelfth (1/12) of the annual estimated charge for residential service or one-sixth (1/6) of the annual estimated charge for commercial or fifty dollars, whichever is greater.

RECONNECTION FEE $25.00

To be charged whenever the supply of water is turned off for violations of rules, non-payment of bills or fraudulent use of water.

RETURNED CHECK CHARGE

A service charge equal to the actual bank fee assessed to the utility or a maximum of $25.00 will be imposed upon any customer whose check for payment of charges is returned by their bank due to insufficient funds.

SCHEDULE FHP – 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 utility.

Rate

$279.00

Minimum Charge

Monthly bills rendered under this rate for all facilities of the water system available for fire protection (now Class 9 insurance rate) will not in any event be less than the amount shown above. Under the 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 schedule is net. On all accounts not paid in full when due, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

LOCAL TAX SURCHARGE

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

Municipality or Political Subdivision	Assessed Local B&O Tax Percent	Effective Local B&O Tax Percent
City of War	4.00	4.37

Computed as follows: Local Tax Rate

(Local Tax Rate + State Tax Rate)

SECTION 2: That in accordance with the provision of Chapter 24, Article 2, Section 4 (b) of the Code of West Virginia, 1931, as amended, the rules and regulations and the rates and charges provided for herein shall be effective no sooner than 45 days from the date of last publication.

SECTION 3: That in accordance with the requirements of Chapter 8, Article 11, Section 4 of the Code of West Virginia, 1931, as amended, the City shall cause the proposed Ordinance to be read by title or in full, first demanded by a member of the governing body at two meetings of the governing body with at least one week intervening between each meeting. The City shall cause notice of the proposed adoption of this Ordinance to be published as a Class II-0 legal advertisement, with the publication being made at least five days before the meeting at which this Ordinance is to be finally adopted and with said notice meeting the other requirements set forth in Code §§ 59-3-1, et seq.

SECTION 4: That in accordance with the Public Service Commission's Rules for the Construction and Filing of Tariffs, 150 CSR 2, notice of this Ordinance shall be provided by (a) causing to be published the Commission's Tariff Form No. 12 as a Class II legal advertisement with the first publication occurring within five days after the adoption of this Ordinance, in a qualified newspaper of general circulation in the area of War; and (b) requesting to be published a press release that contains the substance of Tariff Form No. 12, in a qualified newspaper of general circulation in the area of War; (c) posting a notice that conforms with Tariff Form No. 12 in a conspicuous place at the Water Board's business premises beginning the day after the City Council Meeting at which this Ordinance is adopted and continuing for 30 days; and (d) filing with the Public Service Commission, within 5 days after the adoption of this Ordinance, a copy of this Ordinance along with other information as required by Section 22.1.1 of the Tariff Rules.

SECTION 5: All prior ordinances or parts of ordinances inconsistent with this Ordinance are hereby repealed to the extent of such inconsistency.

SECTION 6: This Ordinance shall be effective immediately upon adoption.

Passed on the First Reading, March 3, 2010.

A copy of the above Ordinance is on file with the City Council at the office of The City Recorder of the City of War for review by interested parties during regular office hours.

Following the public hearing, the City Council intends to adopt this Ordinance upon final reading.

Dated: March 4, 2010.

/s/ Peggy Deel, City Recorder

3/10/1tc

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
Spilman Thomas & Battle
PO Box 273
Charleston, WV 25305

was duly published in said newspaper once a week for 1 successive weeks, (Class I), commencing with the issue of the 10 day of Mar., 2010, and ending with the issue of the 10 day of Mar., 2010 (and was posted at the (if required)

_____

_____ on the

day of _____, 20____ that said annexed notice was published on the following dates: 3/10/10

_____

and that the cost of publishing said annexed notice as aforesaid was $ 202.25.

Irene Wooten

Irene Wooten, Legal Editor
The Welch News

Taken subscribed and sworn to before me in my said county this 12 day of Mar., 2010.

Notary Public, State of West Virginia

LEGAL NOTICE

NOTICE OF PUBLIC HEARING ON
CITY OF WAR WATER RATE ORDINANCE

A public hearing will be held on the following Ordinance at a regular meeting of the Council of the City of War (City Council) to be held on March 17, 2010, at 6:00 p.m. in the War City Hall, and at such hearing any person interested may appear before the City Council and present protests. And/or protests and suggestions shall be heard by the City Council and it shall then take such actions as it shall deem proper in the premises upon the following Ordinance.

ORDINANCE PROVIDING FOR INCREASED RATES FOR WATER SERVICES OF THE MUNICIPALLY OWNED AND OPERATED WATER UTILITY OF THE CITY OF WAR, MCDOWELL COUNTY, WEST VIRGINIA, TO ALL CUSTOMERS SERVED BY SAID MUNICIPALLY OPERATED PUBLIC UTILITY

WHEREAS, In order to protect the public health, safety and welfare, the Council of the City of War ("City Council") has determined that it is necessary for the City of War to complete a project or improvements to the existing water public utility system of the City of War (the "Water System"), consisting of replacements, rehabilitation and improvements to the water distribution system (the "Project"); and

WHEREAS, In order for the City to collect annual revenues necessary to pay the operation and maintenance expenses and the debt service, including this Project additions of the Water System, the existing rates and charges for water service to the customers of the City's Water System must be increased.

NOW, THEREFORE, BE IT ORDAINED AND ENACTED by the municipality of War, McDowell County, West Virginia:

SECTION 1. That the present rates and charges of the municipally operated water public utility of the City of War, McDowell County, West Virginia, charged for providing water services to its customers, be and hereby are increased by providing for monthly rates and charges under the following schedule of rates and charges for furnishing water services:

APPLICABILITY

Applicable in War, McDowell County, West Virginia.

AVAILABILITY OF SERVICE

Available for general domestic, commercial, and industrial service.

RATES

First	2,000 gallons used per month	$ 11.70 per 1,000 gallons
Next	3,000 gallons used per month	$ 10.09 per 1,000 gallons
Next	5,000 gallons used per month	$ 7.63 per 1,000 gallons
Next	30,000 gallons used per month	$ 6.72 per 1,000 gallons
Next	60,000 gallons used per month	$ 6.32 per 1,000 gallons
All over	100,000 gallons used per month	$ 5.90 per 1,000 gallons

MINIMUM CHARGE

No bill will be rendered for less than the following amount, depending on the size of meter to which:

5/8	inch meter	$ 23.40 per month
3/4	inch meter	$ 35.09 per month
1	inch meter	$ 46.45 per month
1 1/4	inch meter	$ per month
1 1/2	inch meter	$ 116.89 per month
2	inch meter	$ per month
3	inch meter	$ per month
4	inch meter	$ 585.08 per month
5	inch meter	$1,170.17 per month
6	inch meter	$1,564.11 per month

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full when due, ten percent (10%) will be added to the current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill when, if, and as appropriate.

LEAK ADJUSTMENT

$0.63 per 1,000 gallons. To be charged for all water billed in excess of the customer's historical usage when bill reflects unusual consumption which is attributable to a visible leakage on the customer's side of the meter.

TAP FEES

The following charges are to be made whenever the utility installs a new tap to serve an applicant:

A tap fee of $350.00 will be charged to all customers who apply for service outside of certificate proceeding before the Public Service Commission for each new tap to the system.

SECURITY DEPOSIT

Not to exceed one-twelfth (1/12) of the applicable stated charge for residential service or one-fourth (1/4) of the annual estimated charge for commercial service, or fifty dollars, which ever is greater.

RECONNECTION FEE $25.00

To be charged whenever the supply of water is turned off for violations of rules, non-payment of bills or delinquent use of water.

RETURNED CHECK CHARGE

A service charge equal to the actual bank fee assessed to the utility or a maximum of $25.00 will be imposed upon any customer whose check for payment of charges is returned by their bank due to insufficient funds.

SCHEDULE FOR PUBLIC FIRE PROTECTION

Applicability

Applicable in War, McDowell and vicinity.

Availability of Service

Available for hydrant service for public fire protection on existing mains of the utility.

Rate

$27.00 per hydrant per month.

Minimum charge:

Monthly bills rendered under this rate for all facilities of the water system available for fire protection (now or hereafter) will not in any event be less than the amount shown above. Under the tariff, twenty-five (25) fire hydrants are presently installed. All hydrants installed in addition to said twenty-five (25) will be charged at $27.00 per hydrant per month.

Delayed Payment Penalty

The above schedule is net. On all accounts not paid in full when due, ten percent (10%) will be added to the current amount unpaid. This delayed payment is not interest and is to be collected only once for each bill rendered or portion.

LOCAL TAX SURCHARGE:

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

Municipality or Political Subdivision	Assessed Local B&O Tax Percent	Effective Local B&O Tax Percent
City of War	4.00	4.37

Computed as follows: Local Tax Rate / (Local Tax Rate + State Tax Rate)

SECTION 2. That in accordance with the provisions of Chapter 24, Article 2, Section 4(b) of the Code of West Virginia, 1931, as amended, the rules and regulations and the rates and charges provided for herein shall be effective no sooner than 45 days from the date of such action.

SECTION 3. That in accordance with the requirements of Chapter 8, Article 11, Section 4 of the Code of West Virginia, 1931, as amended, the City shall cause the proposed Ordinance to be read by title (or in full, if so demanded by a member of the governing body at two meetings of the governing body with at least one week intervening between each meeting). The City shall cause notice of the proposed adoption of this Ordinance to be published as a Class I (O) legal advertisement, with the publication being made at least five days before the meeting at which this Ordinance is to be fully adopted and with said notice meeting the other requirements as set forth in Code §59-1-2 *et seq.*

SECTION 4. That in accordance with the Public Service Commission's Rules for the Construction and Filing of Tariffs, 150 CSR 2, notice of this Ordinance shall be provided by (a) causing to be published the Commission's Tariff Form No. 12 as a Class I legal advertisement, with the first publication occurring within five days after the adoption of this Ordinance, in a qualified newspaper of general circulation in the area of War, and (b) causing to be published a press release that contains the substance of Tariff Form No. 12 in a qualified newspaper of general circulation in the area of War, setting a rate that conforms with Tariff Form No. 12 in a conspicuous place at the Water Board's business premises beginning the day after the City Council Meeting at which this Ordinance is adopted and continuing for 30 days, and (c) filing with the Public Service Commission, within 10 days after the adoption of this Ordinance, a copy of this Ordinance along with other information as required by Section 22.1 of the *Tariff Rules*.

SECTION 5. All prior ordinances or parts of ordinances, inconsistent with this Ordinance are hereby repealed to the extent of such inconsistency.

SECTION 6. This Ordinance shall be effective immediately upon adoption.

Passed on its First Reading, March 3, 2010.

A copy of the above Ordinance is on file with the City Council at the office of the City Recorder of the City of War for review. It is available during regular office hours.

Following the public hearing, the City Council intends to adopt this Ordinance upon final reading.

Dated: March 4, 2010.

Peggy Deal, City Recorder

3/10

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered: July 16, 2010

FINAL

8/5/2010

CASE NO. 10-0230-W-CN

CITY OF WAR, a municipal utility,
War, McDowell County.
Application for a certificate of convenience and necessity to construct improvements to the existing water distribution system.

and

CASE NO. 10-0534-W-MA

CITY OF WAR, a municipal utility,
War, McDowell County.
Investigation and suspension of increase in water rates and charges as a result of petitions filed in accordance with W.Va. Code §24-2-4b.

RECOMMENDED DECISION

Case No. 10-0230-W-CN ("certificate case")

On February 18, 2010, the City of War ("City"), by counsel Susan J. Riggs, filed with the Public Service Commission ("Commission") an application for a certificate of convenience and necessity to construct Phases 2 through 4 of its Water Improvement Project, which includes replacing the water distribution systems of the Yukon and Excelsior areas, as well as the City's downtown distribution system. Supporting documentation was filed.

Also on February 18, 2010, the Commission directed the City to publish a Notice of Filing.

On March 3, 2010, by Order, the Commission referred this matter to the Division of Administrative Law Judges ("ALJ Division") for decision no later than August 2, 2010, if timely substantial protest was received, and no later than July 5, 2010, if such protest was not filed.

On March 10, 2010, the City, by counsel, filed an affidavit of publication of the Notice of Filing on February 26, 2010, in The Welch News.

On March 19, 2010, Staff Attorney Cassius Toon filed an Initial Joint Staff Memorandum, with an attached memorandum from Karen L. Buckley, of the Utilities Division, and James Spurlock, of the Engineering Division.

On April 6, 2010, the City, by counsel, filed further information.

Case No. 10-0534-W-MA ("municipal appeal case")

On March 17, 2010, the City adopted an ordinance increasing its water rates by 70%, to become effective no sooner than May 1, 2010.

On April 16, 2010, a petition signed by 407 individuals was filed, opposing the rate increase.[1] The petition stated that the increase would be "grievous for customers to pay," particularly since the quality of the water is substandard.

On April 19, 2010, the Commission issued an order stating that it had received a petition "apparently signed by not less than twenty-five percent of the City's water customers" and, therefore, found jurisdiction pursuant to W.Va. Code §24-2-4b; docketed this matter; named the City a respondent; suspended the City's proposed rates and charges until August 29, 2010, unless otherwise ordered by the Commission; and referred this matter to the ALJ Division for decision no later than July 30, 2010. Commission Staff was ordered to file its final report no later than June 15, 2010.

On May 14 and 17, 2010, the City, by counsel Susan J. Riggs, filed further information.

Case Nos. 10-0230-W-CN and 10-0534-W-MA

On May 12, 2010, the City, by counsel, filed a motion for the consolidation of the certificate and municipal appeal cases; tolling of the municipal appeal case's statutory deadline; and extensions of the ALJ decision due dates.

On May 21, 2010, the Commission, by Order, granted the motion. The effective dates for the proposed rates in the municipal appeal case and the statutory deadline for both cases were extended

---

[1]The cover letter to the petition stated that the petitioners had been informed by a representative of the City that a rise in the water rates would raise the sewer rates. That is incorrect. The sewer rates are unaffected by the proposed raising of the water rates.

until October 1, 2010, and the ALJ decision due date for the consolidated cases was extended until August 9, 2010.

On May 25, 2010, the undersigned issued a Procedural Order ordering Commission Staff to file its final report in the certificate case no later than June 15, 2010, the same date that its report was due in the municipal appeal case; ordering the City to file any objection to Staff's recommendations no later than June 25, 2010; scheduling these matter for hearing at 1:00 p.m. on July 8, 2010, in Circuit Courtroom A, McDowell County Courthouse, Wyoming and Court Streets, Welch, West Virginia; ordering an expedited transcript, to be filed no later than July 12, 2010; and ordering the City to publish an attached Notice of Hearing no earlier than June 23, 2010, and no later than July 1, 2010.

On June 8, 2010, the Commission extended the deadline for Staff to file its reports in both cases to June 22, 2010.

On June 22, 2010, Mr. Toon filed the Final Joint Staff Memorandum in the certificate case, with an attached memorandum from Ms. Buckley and Jonathan Fowler, of the Engineering Division, which included the following: This project involves replacing the distribution system previously owned by War Water Works, which is over eighty years old and extremely leaky and otherwise deteriorated. The project is referred to as Phase 2, Phase 3 and Phase 4; Phase 1 was approved by the Commission in Case No. 08-0684-W-CN (June 26, 2008). The project will consist of installing approximately 27,800 feet of water mains of various sizes, 75 main valves, 365 meters, and 32 new fire hydrants and shut-off valves; the construction of a 100,000-gallon water storage tank; and restoration of the property. The project has been approved by the Infrastructure and Jobs Development Council and is estimated to cost $4,113,800, including an estimated construction cost of $3,191,900, to be funded by a $2,613,800 Rural Utilities Service ("RUS") grant and an RUS loan of $1,500,000, payable over forty years at an interest rate not to exceed 2.75%. The West Virginia Bureau of Public Health issued two permits for the project, Permit No. 18,311 (dated May 15, 2009) and Permit No. 18,364 (dated July 24, 2009). Staff opined that the project is badly needed, due to the dire condition of the system, and recommended that the certificate be granted and the project and its funding be approved.

Also filed on June 22, 2010, was the Final Joint Staff Memorandum in the municipal appeal case, with Staff Reports prepared by Ms. Buckley and Mr. Fowler, which included the following: Staff examined the City's books and records for the fiscal year ending June 30, 2008. Staff found that over five years the City had averaged $10,316 in capital additions. Staff calculated that the City would need total available cash of $269,356, and recommended that the City's water rates be increased by 45.1%, to become effective upon substantial completion of the project at issue in the certificate case. The Staff-recommended rates would provide the City $10,328 for capital additions and a debt service factor of 122.48%. Staff also recommended modifying the City's leak adjustment rate and adding to the City's tariff a $150 tap fee, a $25 reconnection charge, a returned check charge not to exceed $25, and a security deposit provision.

On June 25, 2010, the City, by counsel, filed a request for an extension of the deadline for it to respond to Staff's recommendations from June 25th to July 2nd, stating that its accountant is on National Guard duty, and will not return to his office until June 28th.

On June 28, 2010, the undersigned issued a Procedural Order granting the motion.

On July 6, 2010, the City, by counsel, filed an affidavit establishing that the Notice of Hearing had been published on June 25, 2010, in The Welch News.

The hearing convened as scheduled. Mr. Toon and Ms. Riggs made their appearances, and Ms. Riggs stated that the City agreed with Staff's recommendations in the certificate case and stipulated to the Staff-recommended rates in the municipal appeal case. (Tr. 6). The City's application in the certificate case was entered into evidence as City Exhibit 1 and the engineering reports were entered into evidence as City Exhibits 2 through 4. The Staff reports in the municipal appeal case were entered into evidence as Staff Exhibit 1 and the Staff report in the certificate case was entered into evidence as Staff Exhibit 2. Ms. Riggs clarified that all necessary permits in the certificate case had been received and filed. (Tr. 7). Mr. Fowler and Ms. Buckley were called as witnesses to explain these matters to the protestants who had appeared. Included in Mr. Fowler's testimony was that the City's system was built in the 1920's by the War Water Works and allowed to deteriorate; the City acquired the system in 2003. The project at issue in the certificate case is "desperately needed." (Tr. 12). Ms. Buckley stated that Staff recommended an overall increase of approximately 45%, lower than the 70% the City's ordinance had provided; with implementation of the Staff-recommended rates, an average monthly bill for usage of 4,500 gallons of water will go up by $9.90. (Tr. 17).

The protestants asked questions, and further information was provided, as follows: Asked how much debt the City will incur because of the project, Mr. Fowler explained that, of the $4,113,800 cost of the Phase 2 through 4 project, only $1,500,000 will have to be repaid; the rest, approximately $2,600,000, will be paid for by grants. (Tr. 25). Mayor Thomas Hatcher stated that, for all six phases, the City will have $6,881,000 in grant money and only the $1,500,000 in loans; the later two phases will be totally grant-funded. Mayor Hatcher explained that grants are covering 82% of the total cost of all the projects; only 18% of that cost will be in loans. He added that such funding is better than most cities ever get. (Tr. 26). Asked when the water will become potable, Douglas Hudgins, the City's engineer, stated that, at the end of this project, Phases 2 through 4, the source of water will be the same, but Phases 5 and 6, which have been funded and are now being designed, will include connection to the water system of the McDowell County Public Service District, which has treated water; all of the City's water will be bought from the District. (Tr. 28). The Phase 2 through 4 project will improve the water quality, because of the corrosion of the old lines, but not until the system is connected to the District's system will the problems with the water quality be fully resolved. (Tr. 34). All of the projects should be completed within approximately two years. (Tr. 40). Mr. Toon stressed that the increased rates will not become effective until the project is substantially complete. (Tr. 38). Mayor Hatcher clarified that the City has been paying interest on the RUS loan since February 18, 2009; it has already paid a total of $14,133.48. (Tr. 47). The statements of the protestants primarily were that the water quality is bad; the water is dirty and treated only with chlorine. (Tr. 36, 38, 42,

45). Lawrence Muncy expressed concern that, since the population in the area is falling, in the future it might be difficult for the City's customers to pay off the debt. (Tr. 36).

The transcript was filed on July 12, 2010.

FINDINGS OF FACT

1. On February 18, 2010, the City of War filed with the Public Service Commission an application for a certificate of convenience and necessity to construct Phases 2 through 4 of its Water Improvement Project. Phases 2 through 4 include replacing the water distribution systems of the Yukon and Excelsior areas, as well as the City's downtown distribution system. The matter was docketed as Case No. 10-0230-W-CN. (See application).

2. The City published a Notice of Filing of the application for a certificate of convenience and necessity on February 26, 2010, in The Welch News, and no protest was filed. (See filing of March 10, 2010; Commission case file).

3. On March 17, 2010, the City adopted an ordinance increasing its water rates by 70%, to become effective on May 1, 2010. Upon the filing of a petition opposing the increase, signed by 407 individuals, the Commission invoked its jurisdiction pursuant to W.Va. Code §24-2-4b, and suspended the City's proposed rates until August 29, 2010, unless otherwise ordered by the Commission. The matter was docketed as Case No. 10-0534-W-MA. (See filing of March 22, 2010; Commission Order of April 19, 2010).

4. Upon request of the City, the Commission consolidated the two cases, changed the effective date for the proposed rates to October 1, 2010, and extended the statutory deadline for the consolidated cases to August 9, 2010. (See filing of May 12, 2010; Commission Order of May 21, 2010).

5. A Notice of Hearing on the consolidated cases was published on June 25, 2010, in The Welch News, and protestants appeared at the hearing held July 8, 2010. (See filing of July 6, 2010; Tr. 30-51).

6. The Phase 2 through 4 project at issue in Case No. 10-0230-W-CN involves replacing the distribution system previously owned by War Water Works, which is over eighty years old and extremely leaky and otherwise deteriorated. The project will consist of installing approximately 27,800 feet of water mains of various sizes, 75 main valves, 365 meters, and 32 new fire hydrants and shut-off valves; the construction of a 100,000-gallon water storage tank; and restoration of property. (See Staff Report filed June 22, 2010; Tr. 10-13).

7. The project has been approved by the Infrastructure and Jobs Development Council and is estimated to cost $4,113,800, including an estimated construction cost of $3,191,900, to be funded

by a $2,613,800 Rural Utilities Service grant and an RUS loan of $1,500,000, payable over forty years at an interest rate not to exceed 2.75%. (See application; Staff Report).

8. The West Virginia Bureau of Public Health issued two permits for the project, Permit No. 18,311 (dated May 15, 2009) and Permit No. 18,364 (dated July 24, 2009). All needed permits have been received and filed. (See Staff Report; Tr. 7).

9. Staff concluded that the project is badly needed, due to the dire condition of the system. Staff recommended that the certificate be granted and the project and its funding be approved. (See Staff Report; Tr. 12).

10. Staff examined the City's books and records for the fiscal year ending June 30, 2008. Staff found that over five years the City had averaged $10,316 in capital additions. Staff calculated that the City would need total available cash of $269,356, and recommended that the City's water rates be increased by 45.1%, to become effective upon substantial completion of the Phase 2 through 4 project. The Staff-recommended rates would provide the City $10,328 for capital additions and a debt service factor of 122.48%. Staff also recommended modifying the City's leak adjustment rate and adding to the City's tariff a $150 tap fee, a $25 reconnection charge, a returned check charge not to exceed $25, and a security deposit provision. (See Staff Reports; Tr. 13-17).

11. The City stipulated to the Staff-recommended rates. (Tr. 6).

CONCLUSIONS OF LAW

1. In Case No. 10-0230-W-CN, it is appropriate to grant the application and approve the project, pursuant to W.Va. Code §24-2-11, because it is reasonable and necessary, and to approve the funding because it is appropriate.

2. It is appropriate to approve the Staff-recommended new tariff provisions and rates, as provided in Appendix A, to become effective upon substantial completion of the approved project, because the City accepted them; no reasonable argument against them has been made by the customers of the City; and they provide revenue sufficient, but no more than sufficient, to cover the expenses of the City, its needed capital improvements, and its debt service.

3. It is appropriate to order the City to cause to be published the attached Notice of New Tariff Provisions, attached hereto as Appendix B.

ORDER

IT IS, THEREFORE, ORDERED that the application for a certificate of convenience and necessity filed on August 17, 2009, by the City of War to construct Phases 2 through 4 of its Water Improvement Project is approved.

IT IS FURTHER ORDERED that the funding for the Phases 2 through 4 project, consisting of a $2,613,800 Rural Utilities Service grant and an RUS loan of $1,500,000, payable over forty years at an interest rate not to exceed 2.75%, is approved.

IT IS FURTHER ORDERED that, if there is any change in the cost of the project, estimated at $4,113,800, which affects rates, or in the scope, design or funding of the project, the City of War file a petition with the Commission for approval of such revisions.

IT IS FURTHER ORDERED that, if there are any changes in the project costs that do not affect rates, the City of War file an affidavit duly executed by its accountant verifying that the City's rates and charges are not affected.

IT IS FURTHER ORDERED that the City of War comply with all rules and regulations of the Division of Highways regarding the use of those rights-of-way.

IT IS FURTHER ORDERED that the City of War file a copy of the engineer's certified tabulation of bids for the project within ten (10) days of the opening date.

IT IS FURTHER ORDERED that the City of War notify the Commission when its engineer has performed the substantial completion inspection.

IT IS FURTHER ORDERED that the rates and tariff changes, as provided in Appendix A, are approved, to become effective upon substantial completion of the Phases 2 through 4 project approved herein and to replace those of the ordinance pertaining to water rates adopted by the City of War on March 17, 2010, which is hereby stricken from the Commission's tariff files.

IT IS FURTHER ORDERED that the City of War file with the Commission's Tariff Office an original and five (5) copies of its tariff implementing the approved rates and other tariff changes, as provided in Appendix A, no later than thirty (30) days after the date of substantial completion of the project approved herein.

IT IS FURTHER ORDERED that the City of War cause to be published, at least once and within (30) days of the effective date of the approved tariff, a copy of the Notice of New Tariff Provisions, attached hereto as Appendix B, in a qualified newspaper, published and of general circulation in McDowell County, and that the City of War file the affidavit of such publication as a closed case filing.

IT IS FURTHER ORDERED that the City of War not implement the new tap fee, reconnection charge, and returned check charge until after publication of the Notice of New Tariff Provisions.

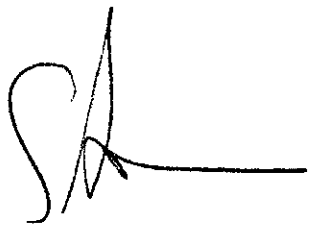
IT IS FURTHER ORDERED that this matter be removed from the Commission's docket of open cases.

IT IS FURTHER ORDERED that the Executive Secretary of the Commission serve a copy of this order upon the Commission by hand delivery, and by electronic service upon all parties of record who have filed an e-service agreement with the Commission and by United States Certified Mail, return receipt requested, upon all parties of record who have not filed an e-service agreement with the Commission.

Leave 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 said 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 aforesaid fifteen (15) day time period, unless it is ordered stayed or postponed by the Commission.

Any party may request waiver of the right to file exceptions to an Administrative Law Judge's Order by filing an appropriate petition in writing with the Executive Secretary. No such waiver will be effective until approved by order of the Commission, nor shall any such waiver operate to make any Administrative Law Judge's Order or Decision the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.



Sunya Anderson
Administrative Law Judge

SA:s
100230ab.wpd

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

CASE NO. 10-0230-W-CN

CITY OF WAR, a municipal utility,
War, McDowell County.
Application for a certificate of convenience and necessity to construct improvements to the existing water distribution system.

and

CASE NO. 10-0534-W-MA

CITY OF WAR, a municipal utility,
War, McDowell County.
Investigation and suspension of increase in water rates and charges as a result of petitions filed in accordance with W.Va. Code §24-2-4b.

APPROVED TARIFF

SCHEDULE DCW

DOMESTIC AND COMMERCIAL WATER

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY OF SERVICE

Available for general domestic and commercial service.

RATES (customers with metered water supply)

First	2,000 gallons used per month	$10.00 per 1,000 gallons
Next	8,000 gallons used per month	$ 7.28 per 1,000 gallons
Next	30,000 gallons used per month	$ 3.95 per 1,000 gallons
Next	60,000 gallons used per month	$ 3.72 per 1,000 gallons
All over	100,000 gallons used per month	$ 3.47 per 1,000 gallons

MINIMUM CHARGE

No minimum bill will be rendered for less than the following amounts according to the meter size installed:

5/8 inch meter	$ 20.00 per month
1 inch meter	$ 50.00 per month
1-1/2 inch meter	$ 100.00 per month
2 inch meter	$ 160.00 per month
3 inch meter	$ 320.00 per month

DELAYED PAYMENT PENALTY

The above schedule is net. On accounts not paid in full when due, ten percent will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

LEAK ADJUSTMENT

$0.79 per 1,000 gallons is 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 shall be applied to all such consumption above the customer's historical average usage.

TAP FEE

The following charge is to be made whenever the utility installs a new tap to serve an applicant.

A tap fee of $150.00 will be charged to all customers who apply for service outside of a certificate proceeding before the Public Service Commission for each new tap to the system.

SECURITY DEPOSIT

A deposit of $50.00 or two-twelfths (2/12) of the average annual usage of the applicant's specific customer class, whichever is greater. This fee may be changed by applicable statutory provisions.

RECONNECTION - $25.00

To be charged whenever the supply of water is turned off for violations of rules, non-payment of bills, or fraudulent use of water.

RETURNED CHECK CHARGE

A service charge equal to the actual bank fee assessed to the City or a maximum of $25.00 will be imposed upon any customer whose check for payment of charges is returned by the bank due to insufficient funds.

SCHEDULE FHP

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 City.

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 accounts not paid in full within twenty (20) days 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 on the Town.

Municipality or Political Subdivision	Assessed Local B&O Tax Percent	Effective Local B&O Tax Percent
Town of War	4.00	4.17

Computed as follows: $\frac{\text{Local Tax Rate}}{\text{1-(Local Tax Rate)}}$

APPENDIX B

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

CITY OF WAR
CASE NOS. 10-0230-W-CN AND 10-0534-W-MA

NOTICE OF NEW TARIFF PROVISIONS

By Recommended Decision issued July 16, 2010, the City of War was authorized to implement the following new provisions of its water tariff:

TAP FEE

The following charge is to be made whenever the utility installs a new tap to serve an applicant.

A tap fee of $150.00 will be charged to all customers who apply for service outside of a certificate proceeding before the Public Service Commission for each new tap to the system.

RECONNECTION - $25.00

To be charged whenever the supply of water is turned off for violations of rules, non-payment of bills, or fraudulent use of water.

RETURNED CHECK CHARGE

A service charge equal to the actual bank fee assessed to the City or a maximum of $25.00 will be imposed upon any customer whose check for payment of charges is returned by the bank due to insufficient funds.

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

City of War - Public Hearing

Steptoe & Johnson, Atty at Law

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 1 day of Dec., 2010, and ending with the issue of the 8 day of Dec., 2010 (and was posted at the (if required)

_____

_____ on the

day of _____, 20____ that said annexed notice was published on the following dates: 12/01/10 & 12/08/10

and that the cost of publishing said annexed notice as aforesaid was $86.35.

Irene Wooten

Irene Wooten, Legal Editor
The Welch News

Taken subscribed and sworn to before me in my said county this 10 day of Dec., 2010.

Leshia A. Ratliff

Notary Public, State of West Virginia

LEGAL NOTICE

NOTICE OF PUBLIC HEARING ON THE CITY OF WAR 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, December 15, 2010, 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:

ORDINANCE OF CITY OF WAR

ORDINANCE AUTHORIZING THE PAYMENT OF THE WATERWORKS SYSTEM DESIGN BOND ANTICIPATION NOTES, SERIES 2009 A, THE PAYMENT OF THE WATERWORKS SYSTEM DESIGN BOND ANTICIPATION NOTES, SERIES 2009 B AND THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING WATERWORKS SYSTEM OF THE TOWN OF WAR, AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED THEREOF, THROUGH THE ISSUANCE BY THE TOWN OF NOT MORE THAN $1,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2010 A (UNITED STATES DEPARTMENT OF AGRICULTURE); AND THROUGH THE ISSUANCE BY THE TOWN OF NOT MORE THAN $700,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2010 B (UNITED STATES DEPARTMENT OF AGRICULTURE); DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS ORDINANCE SHALL TAKE EFFECT.

The above-quoted title of the Ordinance describes generally the contents thereof and the purposes of the Water Revenue Bonds, Series 2010 A and the Water Revenue Bonds, Series 2010 B (Collectively, the "Bonds") contemplated thereby. The City contemplates the issuance of the Bonds described in the Ordinance. The issuance of the Bonds is to pay: (i) the Series 2009 A Notes; (ii) the Series 2009 B Notes; (iii) a portion of the cost of such acquisition and construction; and (iv) costs of issuance and related costs. The Bonds are payable from the revenues derived from the System. 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 November 17, 2010. 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.

Thomas Hatcher
Mayor

12/1, 8; 2tc

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
LESHIA A. RATLIFF
P. O. BOX 603
IAEGER, WV 24844
My commission expires August 29, 2011

CONNER PRINTING, INC. 1-800-442-5051

TOWN OF WAR

Water Revenue Bonds, Series 2011 A
Water Revenue Bonds, Series 2011 B
(United States Department of Agriculture)

EXCERPT OF MINUTES ON ADOPTION OF SUPPLEMENTAL RESOLUTIONS AND SWEEP RESOLUTION

The undersigned Recorder of the Town of War (the "Town") hereby certifies that the following is a true and correct excerpt of the minutes of a regular meeting of the Council of the Town.

* * * * * * * * *

The Council of the Town met in regular session, pursuant to notice duly given, on the 19th day of January, 2011, in War, West Virginia, at the hour of 6:00 p.m.

PRESENT:	Thomas C. Hatcher	Mayor
	Peggy Deel	Recorder
	Margaret Beavers	Councilperson
	Manuel Collins	Councilperson
	Paul Whitt	Councilperson
	Orbie Campbell	Councilperson
	Helen "Katie" Linkous	Councilperson
	John Stump	Steptoe & Johnson

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 presented a proposed Supplemental Resolution in writing entitled:

SUPPLEMENTAL RESOLUTION MAKING PROVISIONS 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 2011 A OF THE TOWN OF WAR, AND MAKING OTHER PROVISIONS AS TO THE BONDS.

and caused the same to be read and there was discussion.

Thereupon, on motion duly made by Orbie Campbell and was seconded by Paul Whitt, it was unanimously ordered that the above-entitled Supplemental Resolution be finally enacted and put into effect immediately.

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

SUPPLEMENTAL RESOLUTION MAKING PROVISIONS 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 2011 B OF THE TOWN OF WAR, AND MAKING OTHER PROVISIONS AS TO THE BONDS.

and caused the same to be read and there was discussion.

Thereupon, on motion duly made by Orbie Campbell and was seconded by Margaret Beavers, it was unanimously ordered that the above-entitled Supplemental Resolution be finally enacted and put into effect immediately.

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 Orbie Campbell and was seconded by Paul Whitt, 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 27th day of January, 2011.

Peggy Neal
Recorder

939100.00005

6-A

CITY OF WAR
COUNCIL MINUTES OF OCTOBER 20, 2010

Present: Mayor Tom Hatcher; Recorder Peggy Deel; Council Members - Katie Linkous, Orbie Campbell, Manuel Collins, and Paul Whitt.

Manuel
Orbie

1. Call to Order. The Mayor called the meeting to order at 6 PM.

2. Minutes of September 15, 2010. After brief discussion, Orbie Campbell moved and Katie Linkous seconded a motion to approve the minutes of September 15, 2010. Motion carried.

3. Bills. After discussion, Manuel Collins moved and Katie Linkous seconded a motion to approve the bills for payment upon the availability of monies. Motion carried.

4. Financial Reports. Mrs. Joan Jones had prepared the following reports: 1) the final revision for June, 2010; the July 31, 2010 report; and the August 31, 2010 report. After discussion of all three reports, Manuel Collins moved and Orbie Campbell seconded a motion to accept all of the reports as presented. Motion carried.

5. Sewer. Jerry Crabtree was present to give his report on wastewater treatment. Everything is doing fine except that a new Bar screen must be purchased.

6. Water. Paul Gray was absent due to a school function. Mayor Hatcher presented information about Phases 2, 3, and 4 of the new system. Bids from contractors will be opened on November 9 at the Region 1 Office in Princeton. Hatcher is not aware of any major problems with the current system.

   Manuel Collins moved and Orbie Campbell seconded a motion to accept the sewer and water reports. Motion carried.

7. Police Report. Mark Shelton, Police Chief, was present to give the monthly police report. There have been no major problems. A new police officer, Dustin England, has been employed. Manual Collins moved and Katie Linkous seconded a motion to accept the police report. Motion carried.

8. First Reading for the Bond Ordinance for the New Water System. Mayor Hatcher presented the Bond Ordinance information regarding the financing of the construction of Phases 2, 3, and 4 of the water system. After discussion, Orbie Campbell moved and Manuel Collins seconded a motion to pass the Bond Ordinance on the First Reading. Motion carried.

9. Adjournment. Orbie Campbell moved and Manuel Collins seconded a motion to adjourn. Motion carried.

Approved by Council: November 17, 2010

Peggy Deel
Peggy Deel, Recorder

Tom Hatcher
Tom Hatcher, Mayor

Manuel Margaret 3-A Approved

CITY OF WAR
COUNCIL MINUTES OF NOVEMBER 22, 2010
5:00 PM

Present: Tom Hatcher, Mayor; Council Members - Margaret Beavers, Manuel Collins, Orbie Campbell, Katie Linkous.

1. Call to Order. Mayor Tom Hatcher opened the meeting at 5 PM. A quorum was present.

2. Citizen Comments. No one was present for comments.

3. Water. Paul Gray gave the water report. Tom Hatcher commented on the opening of bids and indicated that Pro-Contracting of Clarksburg had the lowest bids and will be awarded the contracts for Phases 2, 3, and 4.

4. Sewer. Jerry Crabtree gave the sewer report. Everything is running smoothly and there are no serious problems.

5. Police. Mark Shelton was not present for this report. Tom Hatcher explained that there have been few problems since last month, including the theft of tools and the damage of the flat bed truck by vandals. All of the vandals have been arrested and jailed.

6. Minutes of October 20, 2010. After discussion, Manuel Collins moved and Orbie Campbell seconded a motion to approve the minutes of October 20, 2010. The motion carried.

7. Bills. The Bills for the last month were presented by department. After discussion, Orbie Campbell moved and Katie Linkous seconded a motion to approve the bills for payment upon the availability of funds. The motion carried.

8. Financial Report. The September, 2010, Financial Report from Mrs. Joan Jones, CPA, was presented. After discussion, Margaret Beavers moved and Orbie Campbell seconded a motion to accept the September 2010 Financial Report. The motion carried.

9. Mayor's Report to the City Council. The Mayor presented his report to the City Council covering the following points:

    a. Audit Report of 2009-2010. The 2009-10 Audit Report was completed by Teed and Associates of Charleston. The Mayor presented and discussed the report, which included a letter to Sid Bell and the State Auditor's Office concerning two findings: 1) the rates for Water and Sewer being insufficient, in terms of expenses; 2) insufficient segregation of duties in the City Office. The letter to

Bell answered these two findings. Council received a copy of the audit report and the letter to Bell and to the State Auditor's Office.
Orbie Campbell moved and Margaret Beavers seconded a motion to approve the Auditor's Report. The motion passed.

b. Second Reading of the Water Bond Ordinance. Mayor Hatcher presented the Water Bond Ordinance for discussion. After discussion, Margaret Beavers moved and Manuel Collins seconded a motion to approve the second reading of the Water Bond Ordinance. The motion passed.

c. City Playground. This is completed, although there will be a need for a few last items to be completed in the Spring.

d. Other Items. Other items are mention in the written report of the Mayor.

10. Grant to the War Public Library. WV RUS has given a grant of $22,500 to the War Public Library for new computers and copying machines.. The City will accept this on behalf of the library. After discussion, Margaret Beavers moved and Katie Linkous seconded a motion to accept the grant on behalf of the Library, to follow all conditions and to authorize the Mayor to sign all grant documents. The motion carried.

11. Friday, November 26, 2010. After discussion, Orbie Campbell moved and Manuel Collins seconded a motion to close the City Offices on Friday, November 26. The motion passed.

12. Adjournment. Margaret Beavers moved and Manuel Collins seconded a motion to adjourn. The motion passed.

Submitted by Tom Hatcher to Council on December 15, 2010.

Approved by Council: December 15, 2010

Peggy Deel
Peggy Deel, Recorder

Tom Hatcher
Tom Hatcher, Mayor

CITY OF WAR
MINUTES OF COUNCIL MEETING OF DECEMBER 15, 2011

Present: Mayor Tom Hatcher; Recorder Peggy Deel; Council Members - Margaret Beavers, Katie Linkous, Orbie Campbell, Manuel Collins and Paul Whitt.

1. Call to Order. Mayor Hatcher called the meeting to order at 6 PM.

2. Minutes of November 22, 2010 Meeting. After presentation, Margaret Beavers moved and Manuel Collins seconded a motion to approve the Minutes of November 22, 2010. Motion carried.

3. Water Report. Paul Gray was on hand to give the water system report. There have been no major problems, although there were several leaks.

4. Sewer Report. Jerry Crabtree gave the wastewater report. Everything is running smoothly. The system has no major problems.

   Margaret Beavers moved and Manuel Collins seconded a motion to approve the water and wastewater reports. Motion carried.

5. Police Report. In the absence of Mark Shelton, Chief of Police, Michael Brooks gave the police report. There was brief discussion. There were some minor problems, but all were solved. Margaret Beavers moved and Katie Linkous seconded a motion to accept the Police Report. Motion carried.

6. Bills. After presentation and discussion, Orbie Campbell moved and Manuel Collins seconded a motion to approve the payment of bills upon the availability of finances. Motion carried.

7. Financial Report of October 31, 2010. After discussion of the report prepared by Joan Jones, CPA, Orbie Campbell moved and Margaret Beavers seconded a motion to accept the Financial Report of October 31, 2010. Motion carried.

8. Third Reading of the Water Bond Ordinances. After discussion, Paul Whitt moved and Margaret Beavers seconded a motion to approve the Third Reading, and Final Reading, of the Water Bond Ordinances. Motion carried.

9. Adjournment. Margaret Beavers moved and Manuel Collins seconded a motion to adjourn. Motion carried.

Peggy Deel — Tom Hatcher

Peggy Deel, Recorder — Tom Hatcher, Mayor

January 19, 2011
Approved by Council

WV MUNICIPAL BOND COMMISSION
1207 Quarrier Street
Suite 401
Charleston, WV 25301
(304) 558-3971

NEW ISSUE REPORT FORM

Date of Report: 27-Jan-11

PHASE III PROJECT

ISSUE: Town of War
Water Revenue Bonds, Series 2011 B (United States Department of Agriculture)

ADDRESS: P.O. Box 280, War, West Virginia 24892 COUNTY: McDowell

PURPOSE OF ISSUE:
New Money: x
Refunding:

REFUNDS ISSUE(S) DATED: NA

ISSUE DATE: 27-Jan-11 CLOSING DATE: 27-Jan-11

ISSUE AMOUNT: $400,000 RATE: 2.5%

1ST DEBT SERVICE DUE: NA 1ST PRINCIPAL DUE NA

1ST DEBT SERVICE AMOUNT NA PAYING AGENT: Issuer

BOND COUNSEL:
Firm: Steptoe & Johnson PLLC
Contact John Stump, Esquire
Phone: (304) 353.8196

UNDERWRITERS COUNSEL
Firm:
Contact:
Phone:

CLOSING BANK:
Bank:
Contact:
Phone:

ESCROW TRUSTEE:
Firm:
Contact:
Phone:

KNOWLEDGEABLE ISSUER CONTACT
Contact: Thomas Hatcher
Position: Mayor
Phone: 304.875.3111

OTHER:
Agency: United States Department of Agriculture
Contact: Tracey Rowan
Position: Rural Development Specialist
Phone: 304.776.5298 ext 116

DEPOSITS TO MBC AT CLOSE
By: ____ Wire ____ Accrued Interest: $
____ Check ____ Capitalized Interest: $
____ Reserve Account: $
____ Other: $

REFUNDS & TRANSFERS BY MBC AT CLOSE
By: ____ Wire ____ To Escrow Trustee $
____ Check ____ To Issuer $
____ IGT ____ To Cons. Invest. Fun $
____ To Other: ____ $

NOTES: Monthly debt service payments will be made directly to the National Finance Office. The Municipal Bond Commission will only hold the Series 2011 B Bonds Reserve Account. Payments into the Series 2011 B Bonds Reserve Account will commence 24 months following the date hereof.

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

WATER OR WASTE SYSTEM GRANT AGREEMENT

UNITED STATES DEPARTMENT OF AGRICULTURE

RURAL UTILITIES SERVICE

THIS AGREEMENT dated April 13, 2009 between

War City of

a public corporation organized and operating under

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

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

Grantee has determined to undertake a project of acquisition, construction, enlargement, or capital improvement of a (water) (sewer) system to serve the area under jurisdiction at an estimated cost of $ 1,467,300 and has duly authorized the undertaking of such project.

Grantee is able to finance not more than $ 400,000 of the development cost through revenues, charges, taxes or assessments, or funds otherwise available to Grantee resulting in a reasonable user charge.

Said sum of $ 400,000 has been committed to and by Grantee for such project development costs.

Grantor has agreed to grant the Grantee a sum not to exceed $ 1,067,300 or 72.74% percent of said development costs, whichever is the lesser, subject to the terms and conditions established by the Grantor. Provided, however, that the proportionate share of any grant funds actually advanced and not needed for grant purposes shall be returned immediately to the Grantor. The Grantor may terminate the grant in whole, or in part, at any time before the date of completion, whenever it is determined that the Grantee has failed to comply with the conditions of the grant.

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

NOW, THEREFORE, In consideration of said grant by Grantor to Grantee, to be made pursuant to Section 306 (a) of the Consolidated Farm and Rural Development Act the purpose only of defraying a part not to exceed 72.74% percent of the development costs, as defined by applicable Rural Utilities Service Instructions.

GRANTEE AGREES THAT GRANTEE WILL:

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

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

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

D. Make the services of said system available within its capacity to all persons in Grantee's service area without discrimination as to race, color, religion, sex, national origin, age, marital status, or physical or mental handicap (possess capacity to enter into legal contract for services) at reasonable charges, including assessments, taxes, or fees in accordance with a schedule of such charges, whether for one or more classes

of service, adopted by resolution dated _____, as may be modified from time to time by Grantee. The initial rate schedule must be approved by Grantor. Thereafter, Grantee may make such modifications to the rate system as long as the rate schedule remains reasonable and nondiscriminatory.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

All that real property owned by the City of War water system.

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

1. Use of equipment.

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

(1) Activities sponsored by the Grantor.

(2) Activities sponsored by other Federal agencies.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

M. Provide Financial Management Systems which will include:

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

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

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

4. Accounting records supported by source documentation.

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

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

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

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

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

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

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

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

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

[Revision 1, 11/20/97]

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

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

Grantor Agrees That It:

A. Will make available to Grantee for the purpose of this Agreement not to exceed **$1,067,300.00**. which it will advance to Grantee to meet not to exceed **72.74%** percent of the project development costs of the project in accordance with the actual needs of Grantee as determined by Grantor.

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

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

Termination of This Agreement

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

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

Mayor _____

and attested and its corporate seal affixed by its duly authorized

Town Recorder _____

Attest:

_____

By: Kitten Campbell

(Title) City Clerk

By: Thomas C. Hatcher

Thomas C. Hatcher

(Title) **Mayor**

UNITED STATES OF AMERICA

RURAL UTILITIES SERVICE

By: _____ Area III Director

(Title)

TOWN OF WAR

Water Revenue Bonds, Series 2011 B
(United States Department of Agriculture)

RECEIPT OF DEPOSITORY BANK

I, the undersigned duly authorized representative of Pioneer Community Bank, Iaeger, West Virginia (the "Bank"), hereby certify that on January 27, 2011, the Bank received an automated clearinghouse transfer in the amount of $157,133.08 for the Series 2011 B Bonds to the credit of the Project Construction Account (Account Number 03-273-5).

WITNESS my signature on this 27th day of January, 2011.

Pioneer Community Bank

By: Tonya Baker/Operations Officer
Its: Authorized Officer

939100.00006

CH5425646

PWSID# WV3302450

State of West Virginia
OFFICE OF ENVIRONMENTAL HEALTH SERVICES

CAPITOL and WASHINGTON STREETS 1 DAVIS SQUARE, SUITE 200 CHARLESTON, WV 25301
Telephone (304) 558-2981

PERMIT

(Water)
PROJECT: City of War-Phase III **PERMIT NO.:** 18,311

LOCATION: War **COUNTY:** McDowell **DATE:** 5-15-2009

THIS IS TO CERTIFY that after reviewing plans, specifications, application forms, and other essential information that

City of War
P. O. Box 280
War, West Virginia 24892

is hereby granted approval to: Install approximately 825 LF of 2", 9,355 LF of 6" and 4,950 LF of 8" water line and all necessary valves and appurtenances.

Facilities are to replace the existing deteriorated water lines in the downtown and Beach Hill areas of the City of War.

NOTE: This permit is contingent upon all new water line being disinfected, flushed and bacteriologically tested, prior to use.

The Environmental Engineering Division of the **OEHS Beckley District Office, (304) 256-6666**, is to be notified when construction begins.

Validity of this permit is contingent upon conformity with plans, specifications, application forms, and other information submitted to the West Virginia Bureau for Public Health.

FOR THE DIRECTOR

William S. Herold, M. P.E., Assistant Manager
Infrastructure and Capacity Development
Environmental Engineering Division

RECEIVED
MAY 26 2009
OLVER INCORPORATED

WSH:cls

pc: Olver Inc.
James W. Ellars, P.E., PSC-Engineering Division
Amy Swann, PSC
McDowell County Health Department
OEHS-EED Beckley District Office

USDA-RD
Form RD-440-11
(Rev. 10-00)

ESTIMATE OF FUNDS NEEDED
FOR
30-Day period Commencing
,20___

FORM APPROVED
OMB NO. 0575-0015

Name of Borrower: Town of War (Phase III)

Items	Amount of Funds
Development	$ 0.00
Contract or Job No.	
Contract or Job No.	
Contract or Job No.	
Land and Rights-of-Way	0.00
Legal Services	13,354.52
Engineering Fees	5,825.50
Interest	0.00
Equipment	0.00
Contingencies	0.00
Refinancing	126,641.24
Initial O&M	0.00
Other	11,311.82
Total	$ 157,133.08

Prepared by Town of War
By Thomas C. Hatcher
Date 25-Jan-11
Approved by Tracey Rowan
Date 25-Jan-11

According to the paperwork reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0015. The time required to complete this information collection is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, getting and maintaining the data needed, and completing and reviewing the collection of information.

PHASE III

TOWN OF WAR

Water Revenue Bonds, Series 2011 B
(United States Department of Agriculture)

RECEIPT AND RELEASE

UNITED BANK, INC., as the holder of the Town of War Waterworks Design Bond Anticipation Notes, Series 2009 B, dated January 29, 2009 in the original aggregate principal amount of $140,000 (the "Series 2009 B Notes"), hereby certifies that it has this day received the sum of $119,940.25 from the Town of War and that such sum is sufficient to pay the entire principal amount of and interest accrued on the Series 2009 B Notes to the date hereof and discharges the liens, pledges and encumbrances securing the Series 2009 B Notes.

Dated this 27th day of January, 2011.

UNITED BANK, INC.

By: _____
Its: Authorized Officer

939100.00006

CH5425642

SWEEP RESOLUTION

WHEREAS, the Town of War (the "Issuer") is a governmental body and political subdivision of West Virginia;

WHEREAS, the Issuer has issued bonds, as more specifically set forth on Exhibit A, attached hereto and incorporated herein by reference (the "Bonds");

WHEREAS, the Issuer makes monthly debt service payments on the Bonds by check to the West Virginia Municipal Bond Commission (the "MBC") which in turn pays the owners of the Bonds and deposits funds in the reserve accounts;

WHEREAS, the MBC may accept such monthly payments by electronic funds transfer thereby eliminating delay in payments and lost checks;

WHEREAS, the Issuer find and determines that it is in the best interest of the Issuer, its citizens and the owners of the Bonds that the monthly debt service and reserve fund payments be made by electronic transfer with the State Treasurer **sweeping** the Issuer's account.

NOW THEREFORE BE IT RESOLVED AS FOLLOWS:

1) The monthly debt service payments on the Bonds, as set forth in Exhibit A, shall be made to the MBC by electronic transfer by the State Treasurer form the accounts set forth in Exhibit A in such form and at such directions as are provided by the MBC.

2) Mayor and Recorder are hereby authorized to sign and execute all such documents as are necessary to facilitate the electronic transfer of the Bond debt service and reserve fund payments.

3) This resolution shall be effective immediately upon adoption.

Adopted this 19th day of January, 2011.

Thomas C. Hatcher

Mayor

WEST VIRGINIA
Water Development Authority
Celebrating 36 Years of Service 1974 - 2010

Phase II & IV
Phase III

January 27, 2011

Town of War
Water Revenue Bonds, Series 2011 A; and
Water Revenue Bonds, Series 2011 B
(United States Department of Agriculture)

TO WHOM IT MAY CONCERN:

In reliance upon the certificate of Teed & Associates, independent certified public accountants, and an opinion of Steptoe & Johnson, PLLC, as bond counsel, stating that the coverage and parity requirements have been met, the undersigned duly authorized representative for the West Virginia Water Development Authority, the registered owner of the entire outstanding aggregate principal amount of the Series 2008 A Bonds, hereinafter defined and described, hereby consents to the issuance of the Water Revenue Bonds, Series 2011 A (United States Department of Agriculture), in the original aggregate principal amount of $1,100,000 (the "Series 2011 A Bonds") and the Water Revenue Bonds, Series 2011 B (United States Department of Agriculture), in the original aggregate principal amount of $400,000 (the "Series 2011 B Bonds") by the Town of War (the "Issuer"), under the terms of the bond ordinance authorizing the Series 2011 A Bonds and the Series 2011 B Bonds, on a parity, with respect to liens, pledge and source of and security for payment, with the Issuer's outstanding 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 "Series 2008 A Bonds").

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

Carol A. Cummings
Authorized Representative

180 Association Drive, Charleston, WV 25311-1217
Phone (304) 558-3612 / fax (304) 558-0299
www.wvwda.org

WEST VIRGINIA

Infrastructure & Jobs Development Council

RECEIVED
NOV 18 2008
REGION I PDC

Gov. Joe Manchin, III
Chairman

Kenneth Lowe, Jr.
Public Member

Dwight Calhoun
Public Member

David "Bones" McComas
Public Member

Ron Justice
Public Member

Barbara J. Pauley
Administrative Secretary

November 13, 2008

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

Re: City of War
Water Project 2008W-1060 (Phase III)

Dear Mayor Hatcher:

The West Virginia Infrastructure and Jobs Development Council (Council) has reviewed the City of War's (City) preliminary application for Phase III of the dilapidated distribution system in the downtown area (Project).

Based on the findings of the Water Technical Review Committee, the Council has determined that the Project is technically feasible within the guidelines of the Infrastructure and Jobs Development Act. The City should carefully review the enclosed comments of the Water Technical Review Committee as the City may need to address certain issues raised in said comments as it proceeds with the Project.

Upon consideration of the preliminary application, the Council determined that the City should utilize a $400,000 Rural Utilities Service loan and a $887,000 Rural Utilities Service grant to fund this $1,287,000 project. Please contact the Rural Utility Service office at (304) 636-2158 for specific information on the steps the City needs to follow to apply for these funds. **Please note that this letter does not constitute funding approval from this agency.**

If you have any questions regarding this matter, please contact the Council at (304) 558-4607.

Sincerely,

Kenneth Lowe, Jr.

Enclosure

cc: Bob Decrease, P.E., BPH (w/o enclosure) (via e-mail)
Joseph Crickenberger, RUS (w/o enclosure) (via-email)
C. Mark Blaylock, Olver, Inc.
Region I-Regional Intergovernmental Council

TOWN OF WAR

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

CONFORMED BOND ORDINANCE

Table of Contents

ARTICLE I
STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01 Authority for this Ordinance
Section 1.02 Findings
Section 1.03 Bond Legislation Constitutes Contract
Section 1.04 Definitions

ARTICLE II
AUTHORIZATION OF THE PROJECT

Section 2.01 Authorization of the Project

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

Section 3.01 Authorization of Bonds
Section 3.02 Terms of Bonds
Section 3.03 Execution of Bonds
Section 3.04 Authentication and Registration
Section 3.05 Negotiability, Transfer and Registration
Section 3.06 Bonds Mutilated, Destroyed, Stolen or Lost
Section 3.07 Bonds not to be Indebtedness of the Issuer
Section 3.08 Bonds Secured by Pledge of Gross Revenues
Section 3.09 Delivery of Bonds
Section 3.10 Form of Bonds
FORM OF BOND

Section 3.11 Sale of Bonds; Approval and Ratification of Execution of Loan Agreement
Section 3.12 "Amended Schedule A" Filing

ARTICLE IV
[RESERVED]

ARTICLE V
FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01 Establishment of Funds and Accounts with Depository Bank
Section 5.02 Establishment of Funds and Accounts with Commission
Section 5.03 System Revenues; Flow of Funds

ARTICLE VI
BOND PROCEEDS; DISBURSEMENTS

Section 6.01 Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds
Section 6.02 Disbursements from the Bond Project Fund

ARTICLE VII
ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01 General Covenants of the Issuer
Section 7.02 Bonds not to be Indebtedness of the Issuer
Section 7.03 Bonds Secured by Pledge of Gross Revenues
Section 7.04 Initial Schedule of Rates and Charges
Section 7.05 Sale of the System
Section 7.06 Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances
Section 7.07 Additional Parity Bonds
Section 7.08 Books; Records and Audit
Section 7.09 Rates
Section 7.10 Operating Budget and Monthly Financial Report
Section 7.11 Engineering Services and Operating Personnel
Section 7.12 No Competing Franchise
Section 7.13 Enforcement of Collections
Section 7.14 No Free Services
Section 7.15 Insurance and Construction Bonds
Section 7.16 Mandatory Connections
Section 7.17 Completion of Project; Permits and Orders
Section 7.18 Compliance with Loan Agreement and Law
Section 7.19 Reserved
Section 7.20 Securities Law Compliance
Section 7.21 Contracts; Public Releases

ARTICLE VIII
INVESTMENT OF FUNDS

Section 8.01 Investments
Section 8.02 Certificate as to Use of Proceeds; Covenants as to Use of Proceeds

ARTICLE IX
DEFAULT AND REMEDIES

Section 9.01 Events of Default
Section 9.02 Remedies
Section 9.03 Appointment of Receiver

ARTICLE X
PAYMENT OF BONDS

Section 10.01 Payment of Bonds

ARTICLE XI
MISCELLANEOUS

Section 11.01 Amendment or Modification of Bond Legislation
Section 11.02 Bond Legislation Constitutes Contract
Section 11.03 Severability of Invalid Provisions
Section 11.04 Headings, Etc.
Section 11.05 Conflicting Provisions Repealed
Section 11.06 Covenant of Due Procedure, Etc.
Section 11.07 Statutory Notice and Public Hearing
Section 11.08 Effective Date

SIGNATURES
CERTIFICATION
EXHIBIT A

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

AMOUNT	DATE	AMOUNT	DATE
(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.

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are hereby created with and shall be held by the Depository Bank, separate and apart from all other funds or accounts of the Depository Bank or the Issuer and from each other:

(1) Revenue Fund;

(2) Renewal and Replacement Fund; and

(3) Series 2008 A Bonds Project Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created with and shall be held by the Commission, separate and apart from all other funds or accounts of the Commission or the Issuer and from each other:

(1) Series 2008 A Bonds Sinking Fund; and

(2) Series 2008 A Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited upon receipt by the Issuer in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner provided in this Bond Legislation. All monies in the Revenue Fund shall be disposed of only in the following manner and order of priority:

(1) The Issuer shall first, on the first day of each month, transfer from the Revenue Fund and remit to the Commission, commencing 3 months prior to the first date of payment of principal of the Series 2008 A Bonds for deposit in the Series 2008 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2008 A Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2008 A Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue

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

which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 2008 A Bonds. All obligations issued by the Issuer after the issuance of the Series 2008 A Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Series 2008 A Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Series 2008 A Bonds, and the interest, if any, thereon, upon any of the income and revenues of the System pledged for payment of the Series 2008 A Bonds and the interest, if any, thereon in this Bond Legislation, or upon the System or any part thereof.

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

Section 7.07. Additional Parity Bonds. No additional Parity Bonds payable out of the revenues of the System, shall be issued after the issuance of the Series 2008 A Bonds pursuant to this Ordinance, without the prior written consent of the Authority and the Council and without complying with the conditions and requirements herein provided.

All Parity Bonds issued hereafter shall be on a parity in all respects with the Series 2008 A Bonds.

No Parity Bonds shall be issued except for the purposes of financing the costs of design, acquisition and construction of additions, betterments or improvements to the System or refunding the Bonds issued pursuant hereto, or both such purposes.

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

(1) The Bonds then Outstanding;

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

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

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

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

All the covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Series 2008 A Bonds and the Holders of any Parity Bonds theretofore or subsequently issued from time to time within the limitations of and in compliance with this section. All the Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System, and their source of and security for payment from said revenues, without preference of any Bond over any other. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien on the revenues of the System of which is subject to the prior and superior lien of the Series 2008 A Bonds on such revenues. Any such subordinate bonds, notes, certificates or other obligations shall be payable from the revenues remaining after all payments required to be made in accordance with this Bond Legislation have first been paid. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or equally, as to lien and source of and security for payment from such revenues, with the Series 2008 A Bonds except in the manner and under the conditions provided in this section.

No Parity Bonds shall be issued at any time, however, unless all of the payments

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

Thomas C. Hatcher
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]

Peggy Deel
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]

Peggy Dail
Recorder

939100.00002

EXHIBIT A

Conformed Bond Ordinance

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.

[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]

SPECIMEN

Thomas Gay Hatcher
Mayor

ATTEST:

SPECIMEN

Peggy 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

SPECIMEN

Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

	AMOUNT	DATE		AMOUNT	DATE
(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:

_____

PHASE II & IV
PHASE III

TOWN OF WAR

Water Revenue Bonds, Series 2010 A; and
Water Revenue Bonds, Series 2010 B
(United States Department of Agriculture)

BOND ORDINANCE

Table of Contents

ARTICLE I
STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01 Authority for this Ordinance
Section 1.02 Findings and Determinations
Section 1.03 Bond Legislation Constitutes Contract
Section 1.04 Definitions

ARTICLE II
AUTHORIZATION OF PAYMENT, ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01 Authorization of Payment
Section 2.02 Authorization of Acquisition and Construction of the Project

ARTICLE III
AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BONDS

Section 3.01 Authorization of Bonds
Section 3.02 Description of Bonds
Section 3.03 Negotiability, Registration, Transfer and Exchange of Bonds
Section 3.04 Bond Registrar
Section 3.05 Execution of Bonds
Section 3.06 Bonds Mutilated, Destroyed, Stolen or Lost
Section 3.07 Bonds Secured by Pledge of Gross Revenues
Section 3.08 Form of Bond
FORM OF BOND SERIES 2010 A
FORM OF BOND SERIES 2010 B

ARTICLE IV
SYSTEM REVENUES AND APPLICATION THEREOF; DISPOSITION OF BOND PROCEEDS; FUNDS AND ACCOUNTS

Section 4.01 Establishment of Funds and Accounts with Depository Bank
Section 4.02 Establishment of Funds and Accounts with Commission
Section 4.03 Bond Proceeds; Project Construction Account
Section 4.04 Covenants of the Issuer as to System Revenues and Funds

ARTICLE V
GENERAL COVENANTS, ETC.

Section 5.01 General Statement
Section 5.02 Rates
Section 5.03 Sale of the System
Section 5.04 Issuance of Additional Parity Bonds or Obligations
Section 5.05 Insurance and Bonds
Section 5.06 Statutory Mortgage Lien
Section 5.07 Events of Default
Section 5.08 Enforcement
Section 5.09 Fiscal Year; Budget
Section 5.10 Covenant to Proceed and Complete
Section 5.11 Books and Records; Audits
Section 5.12 Maintenance of System
Section 5.13 No Competition

ARTICLE VI
RATES, ETC.

Section 6.01 Initial Schedule of Rates and Charges; Rules

ARTICLE VII
MISCELLANEOUS

Section 7.01 Payment of Bonds
Section 7.02 Modification or Amendment
Section 7.03 Delivery of Bonds
Section 7.04 Severability of Invalid Provisions
Section 7.05 Conflicting Provisions Repealed
Section 7.06 Table of Contents and Headings
Section 7.07 Covenant of Due Procedure, Etc.
Section 7.08 Statutory Notice and Public Hearing
Section 7.09 Effective Time
SIGNATURES
CERTIFICATION

PHASE II & IV
PHASE III

TOWN OF WAR

BOND ORDINANCE

ORDINANCE AUTHORIZING THE PAYMENT OF THE WATERWORKS SYSTEM DESIGN BOND ANTICPATION NOTES, SERIES 2009 A, THE PAYMENT OF THE WATERWORKS SYSTEM DESIGN BOND ANTICPATION NOTES, SERIES 2009 B AND THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING WATERWORKS SYSTEM OF THE TOWN OF WAR, AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED THEREOF, THROUGH THE ISSUANCE BY THE TOWN OF NOT MORE THAN $1,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2010 A (UNITED STATES DEPARTMENT OF AGRICULTURE); AND THROUGH THE ISSUANCE BY THE TOWN OF NOT MORE THAN $700,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2010 B (UNITED STATES DEPARTMENT OF AGRICULTURE); DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS ORDINANCE SHALL TAKE EFFECT

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 is adopted and enacted pursuant to the provisions of Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and other applicable provisions of law. The Town of War (the "Issuer") is a duly created and validly existing municipal corporation and political subdivision of the State of West Virginia in McDowell County of said State.

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

A. The Issuer now owns and operates a public waterworks system. The Project, as hereinafter defined, hereby authorized and provided for is public purpose of the Issuer and ordered for the purpose of meeting and serving public convenience and necessity.

B. The Issuer desires to pay the Waterworks Design Anticipation Notes, Series 2009 A, dated January 29, 2009, issued in the original aggregate principal amount of $306,500 (the "Series 2009 A Notes") and Waterworks Design Anticipation Notes, Series 2009 B, dated January 29, 2009, issued in the original aggregate principal amount of $140,000 (the "Series 2009 B Notes") (collectively, the "Prior Notes") and finance and acquire, construct, operate and maintain certain additions, improvements and extensions to such existing waterworks facilities with all appurtenant facilities, within the boundaries of the Issuer to be owned and operated by the Issuer.

C. The Issuer has temporarily financed the design and other preconstruction costs of the Project by the issuance of the Prior Notes.

D. The Prior Notes were issued pursuant to ordinances of the Issuer previously enacted for such purpose (such ordinance as supplemented and amended is herein called the "Prior Notes Ordinances").

E. It is deemed necessary and desirable for the Issuer to pay the Prior Notes.

F. It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the Issuer, and, accordingly, it is hereby ordered, that there be acquired and constructed certain additions, improvements and extensions to the existing waterworks facilities of the Issuer, consisting of improvements to the water system, together with all necessary appurtenances (collectively, the "Project"), particularly described in and according to the plans and specifications prepared by the Consulting Engineer and heretofore filed in the office of the Recorder of the Issuer. The existing waterworks facilities of the Issuer, together with the Project and any further additions, improvements or extensions thereto, are herein called the "System." The acquisition and construction of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

G. 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 on the Issuer's Prior Bonds and the Series 2010 A Bonds and to make payments into all funds and accounts and other payments provided for herein..

H. The estimated maximum cost to pay the Prior Notes and the acquisition and construction of the Project is $4,113,800, of which approximately $1,100,000 will be obtained from the proceeds of sale of the Series 2010 A Bonds and up to $400,000 will be obtained from the proceeds of the sale of the Series 2010 B Bonds, and $1,546,500 will be obtained as a grant from the Purchaser and $1,067,300 will be obtained as a grant from the Purchaser, all herein authorized.

I. It is necessary for the Issuer to issue its Water Revenue Bonds, Series 2010 A (the "Series 2010 A Bonds") in the total aggregate principal amount of not more than $1,500,000 to: (i) pay the Series 2009 A Notes; (ii) to pay a portion of the cost of such acquisition and construction; and (iii) to pay costs of issuance and related costs. It is necessary for the Issuer to issue its Water Revenue Bonds, Series 2010 B (United States Department of Agriculture) (the "Series 2010 B Bonds"), in the aggregate principal amount of not more than $700,000 (the Series 2010 B Bonds) to (i) pay the Series 2009 B Notes; (ii) to pay a portion of the cost of such acquisition and construction; and (iii) to pay costs of issuance and related costs. The Series 2010 A Bonds and Series 2010 B Bonds are collectively referred to as the Series 2010 Bonds. The cost of such acquisition and construction shall be deemed to include, without being limited to, the acquisition and construction of the Project; the cost of all property rights, easements and franchises deemed necessary or convenient therefor and for the improvements and extensions thereto; interest on the Series 2010 Bonds prior to, during and for six months after completion of such acquisition and construction of the improvements and extensions; engineering, fiscal agents 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 Project, administrative expense, and such other expenses as may be necessary or incident to the financing herein authorized, and the acquisition and construction of the properties and the placement of same in operation; provided that, reimbursement to the Issuer for any amounts expended by it for the repayment of indebtedness incurred for costs of the Project by the Issuer shall be deemed costs of the Project.

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

K. Upon payment of the Prior Notes, there are outstanding obligations of the Issuer which will rank on a parity with the Series 2010 Bonds as to liens, pledge and source of and security for payment being 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 "Series 2008 A Bonds" or the "Prior Bonds").

The Series 2010 Bonds shall be issued on a parity with the Prior Bonds with respect to liens, pledge and source of and security for payment and in all other respects. Prior to the issuance of the Series 2010 Bonds, the Issuer will obtain: (i) a certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds have been met; and (ii) the written consent of the Holders of the Prior Bonds to the issuance of the Series 2010 Bonds on a parity with the Prior Bonds. Upon payment of the Prior Notes, other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System

L. It is in the best interest of the Issuer that the Series 2010 Bonds be sold to the Purchaser, pursuant to the terms and provisions of the Letters of Conditions, both dated July 30, 2008, and all amendments thereto, if any (collectively, the "Letter of Conditions").

M. The Issuer has complied with all requirements of law relating to the authorization of the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Series 2010 Bonds, or will have so complied prior to issuance of the Series 2010 Bonds,

including, among other things and without limitation, obtaining a certificate of public convenience and necessity and approval of the financing and necessary user rates and charges from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired or shall have been duly waived or otherwise provided for.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2010 Bonds by those who shall be the Registered Owner of the same from time to time, this Ordinance (the "Bond Legislation") shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owner, and the covenants and agreements set forth herein to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owner of the Series 2010 Bonds.

Section 1.04. Definitions. In addition to capitalized terms defined elsewhere herein, the following terms shall have the following meanings herein unless the text otherwise expressly requires:

"Act" means Chapter 8, Article 19 of the West Virginia Code of 1931, as amended.

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

"Bond Registrar" means the Issuer, which shall usually so act by its Recorder.

"Bonds" means the Series 2010 Bonds.

"Closing Date" means the date upon which there is an exchange of the Series 2010 Bonds for the proceeds, or at least a de minimus portion, thereof representing the purchase price of the Series 2010 Bonds from the Purchaser.

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

"Consulting Engineer" means Olver, Inc., Blacksburg Virginia, or any qualified engineer or firm of engineers which shall at any time hereafter be retained by the Issuer as Consulting Engineer for the System.

"Depository Bank" means the bank designated as such in the Supplemental Resolution, and its successors and assigns, which shall be a member of FDIC.

"Facilities" or "waterworks facilities" means all the tangible properties of the System and also any tangible properties which may hereafter be added to the System by additions, betterments, extensions and improvements thereto and properties, furniture, fixtures or equipment therefor, hereafter at any time constructed or acquired.

"FDIC" means the Federal Deposit Insurance Corporation.

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

"Governing Body" or "Council" means the Council of the Issuer.

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

"Herein" or "herein" means in this Bond Legislation.

"Issuer" or "Borrower" means the Town of War, a municipal corporation and political subdivision of the State of West Virginia, in McDowell County, West Virginia, and includes the Governing Body of the Issuer.

"Letter of Conditions" means, collectively, the Letters of Conditions of the Purchaser both dated July 30, 2008, and all amendments thereto, if any.

"Minimum Reserve" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2010 Bonds in the then current or any succeeding year.

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

"Operating Expenses" means the current expenses, paid or accrued, of operation and maintenance of the System and its facilities, and includes, without limiting the generality of the foregoing, insurance premiums, salaries, wages and administrative expenses of the Issuer relating and chargeable solely to the System, the accumulation of appropriate reserves for charges not annually recurrent but which are such as may reasonably be expected to be incurred, and such other reasonable operating costs as are normally and regularly included under recognized accounting principles and retention of a sum not to exceed one-sixth of the budgeted Operating Expenses stated above for the current year as working capital, and language herein requiring payment of Operating Expenses means also retention of not to exceed such sum as working capital; provided that, all monthly amortization payments upon the Bonds and into the Reserve Fund and Depreciation Reserve have been made to the last monthly payment date prior to the date of such retention.

"Prior Bonds" means the Series 2008 A Bonds.

"Prior Notes" means collectively, the Series 2009 A Notes and Series 2009 B Notes..

"Prior Notes Ordinances" means the ordinances authorizing the Prior Notes.

"Prior Ordinance" means the ordinance authorizing the Prior Bonds.

"Project" shall have the meaning stated in Section 1.02E above.

"Purchaser" or "Government" means United States Department of Agriculture, Rural Utilities Service, and any successor thereof, acting for and on behalf of the United States of America.

"Qualified Investments" means and includes any of the following, to the extent such investments are permitted by law:

(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 (hereinbefore defined) or Federal Savings and Loan Insurance Corporation, shall be secured by a pledge of Government Obligations, provided, that said Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time accounts or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time accounts;

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

(g) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (e) above, with banks or national banking associations which are members of FDIC or with

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

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

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

"Recorder" means the Recorder of the Issuer.

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

"Revenues" or "Gross Revenues" means all rates, rents, fees, charges or other income received by the Issuer, or accrued to the Issuer, or any department, board, agency or instrumentality thereof in control of the management and operation of the System, from the operation of the System, and all parts thereof, all as calculated in accordance with sound accounting practices.

"Series 2008 A Bonds" means 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.

"Series 2009 A Notes" means the Issuer's Waterworks Design Bond Anticipation Notes, Series 2009 A, issued to United Bank, Inc on January 29, 2009 in the original aggregate principal amount of $306,500.

"Series 2009 B Notes" means the Issuer's Waterworks Design Bond Anticipation Notes, Series 2009 B, issued to United Bank, Inc on January 29, 2009 in the original aggregate principal amount of $140,000.

"Series 2010 Bonds" means, collectively, the Series 2010 A Bonds and the Series 2010 B Bonds.

"Series 2010 A Bonds" means the Water Revenue Bonds, Series 2010 A (United States Department of Agriculture), authorized hereby to be issued pursuant to this Bond Legislation.

"Series 2010 B Bonds" means the Water Revenue Bonds, Series 2010 B (United States Department of Agriculture), authorized hereby to be issued pursuant to this Bond Legislation.

"Series 2010 A Bonds Reserve Account" means, Series 2010 A Bonds Reserve Account as established in Section 4.02.

"Series 2010 B Bonds Reserve Account" means, Series 2010 B Bonds Reserve Account as established in Section 4.02.

"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.

"System" means the complete public waterworks system of the Issuer, presently existing in its entirety or any integral part thereof, and shall include the Project and any improvements and extensions 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.

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

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT AND PAYMENT OF THE PRIOR NOTES.

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated total cost of not more than $4,113,800, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 2010 Bonds hereby authorized shall be applied as provided in Article IV hereof.

Section 2.02 Authorization of Payment of the Prior Notes. A. There is hereby authorized and ordered the payment in full of the entire principal of and interest on the Series 2009 A Notes on the Closing Date, the cost of which will be paid from the proceeds of the Series 2010 A Bonds. Upon payment of the Series 2009 A Notes, any funds pledged in favor of the holders of the Series 2009 A Notes imposed by the Prior Notes Ordinances are hereby ordered terminated, discharged and released.

B. There is hereby authorized and ordered the payment in full of the entire principal of and interest on the Series 2009 B Notes on the Closing Date, the cost of which will be paid from the proceeds of the Series 2010 B Bonds. Upon payment of the Series 2009 B Notes, any funds pledged in favor of the holders of the Series 2009 B Notes imposed by the Prior Notes Ordinances are hereby ordered terminated, discharged and released.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BONDS

Section 3.01. Authorization of Bonds. Subject and pursuant to the provisions of the Bond Legislation, the Series 2010 Bonds of the Issuer, to be known as the "Water Revenue Bonds, Series 2010 A (United States Department of Agriculture)," are hereby authorized to be issued in the principal amount of not more than $1,500,000 for the purpose of (i) financing a portion of the cost of the acquisition and construction of the Project; (ii) paying the Series 2009 A Notes; and (iii) paying certain costs of issuance and related costs not otherwise provided for, or any all of such purposes, and the "Water Revenue Bonds, Series 2010 B (United States Department of Agriculture)," are hereby authorized to be issued in the principal amount of not more than $700,000, for the purpose of (i) financing a portion of the cost of the acquisition and construction of the Project; (ii) paying the Series 2009 B Notes; and (iii) paying certain costs of issuance and related costs not otherwise provided for.

Section 3.02. Description of Bonds. A. The Series 2010 A Bonds shall be issued in single form, numbered AR-1, only as a fully registered Bond in an original aggregate principal amount to be prescribed in the Supplemental Resolution and shall be dated on the date of delivery thereof. The Series 2010 A Bonds shall bear interest from date of delivery, payable monthly at the rate not to exceed 2.75% per annum, which interest rate shall be prescribed in the Supplemental Resolution and shall be sold for the par value thereof.

The Series 2010 A Bonds shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer, and shall be payable as provided in the Bond form hereinafter set forth.

B. The Series 2010 B Bonds shall be issued in one or more series, numbered BR-1, only as a fully registered Bond in an original aggregate principal amount to be prescribed in the Supplemental Resolution and shall be dated on the date of delivery thereof. The Series 2010 B Bonds shall bear interest from date of delivery, payable monthly at the rate

not to exceed 2.75% per annum, which interest rate shall be prescribed in the Supplemental Resolution and shall be sold for the par value thereof.

The Series 2010 A Bonds shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer, and shall be payable as provided in the Bond form hereinafter set forth.

Section 3.03. Negotiability, Registration, Transfer and Exchange of Bonds. The Series 2010 Bonds shall be and have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but the Series 2010 Bonds, and the right to principal of and stated interest on the Series 2010 Bonds, may only be transferred by transfer of the registration thereof upon the books required to be kept pursuant to Section 3.04 hereof, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Series 2010 Bonds for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Bond Registrar.

Whenever the Series 2010 Bonds shall be surrendered for registration of transfer, the Issuer shall execute and deliver a new Bond or Bonds in authorized denominations, for a like aggregate principal amount. The Bond Registrar shall require the payment by the new owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer, but the Issuer shall pay any other expenses incurred by the Bond Registrar with respect to such transfer.

No registration of transfer of the Series 2010 Bonds shall be permitted to be made after the 15th day next preceding any installment payment date on the Series 2010 Bonds.

Section 3.04. Bond Registrar. The Issuer shall be the Bond Registrar and will keep, or cause to be kept by its agent, at its office, sufficient books for the registration and transfer of the Series 2010 Bonds, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Series 2010 Bonds initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Series 2010 Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 2010 Bonds for registration or transfer only if ownership thereof is to be registered in the name of the Purchaser, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law. The Series 2010 Bonds shall initially be fully registered as to both principal and interest in the name of the United States of America. So long as the Series 2010 Bonds shall be registered in the name of the United States of America, the address of the United States of America for registration purposes shall be National Finance Office, St. Louis, Missouri 63103, or such other address as shall be stated in writing to the Issuer by the United States of America.

Section 3.05. Execution of Bonds. The Series 2010 Bonds shall be executed in the name of the Issuer by the Mayor and its corporate seal shall be affixed thereto and attested by the Recorder. In case any one or more of the officers who shall have signed or sealed the Series 2010 Bonds shall cease to be such officer of the Issuer before the Series 2010 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. The Series 2010 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 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Series 2010 Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bonds or in lieu of and substitution for the Bonds destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Series 2010 Bonds so surrendered shall be canceled and held for the account of the Issuer. If the Series 2010 Bonds shall have matured or be about to mature, instead of issuing a substitute Bond the Issuer may pay the same, and, if such Bond be destroyed, stolen or lost, without surrender thereof.

Section 3.07. Bonds Secured by Pledge of Gross Revenues; Lien Position with respect to Prior Bonds. The payment of the debt service on the Series 2010 A Bonds shall be secured by a first lien on the Gross Revenues derived from the System, on a parity with the Prior Bonds. The Gross Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bonds, and to make all other payments hereinafter set forth, are hereby irrevocably pledged to such payments as they become due.

Section 3.08. Form of Bond. Subject to the provisions hereof, the text of the Series 2010 Bonds and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted hereby or by any ordinance enacted after the date of enactment hereof and prior to the issuance thereof:

[Remainder of Page Intentionally Blank]

(FORM OF SERIES 2010 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF WAR
WATER REVENUE BONDS, SERIES 2010 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

$_____

No. AR-1 Date: _____, 2010

FOR VALUE RECEIVED, the TOWN OF WAR (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of _____ DOLLARS ($_____), plus interest on the unpaid principal balance at the rate of _____% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and $_____, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

While this Bond is held by an insured lender, prepayments as above authorized made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective

date of every payment made by Borrower, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Borrower and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

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

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

This Bond is issued to (i) pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing public waterworks system of the Issuer, (ii) pay the Waterworks System Bond Anticipation Notes, Series 2009 A Notes, (the "Series 2009 A Notes"); and (iii) to pay costs of issuance and related costs.

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of additions, extensions and improvements to the waterworks system (the "System") of the Borrower, is payable solely from the Gross Revenues to be derived from the operation of the System. This Bond does not in any manner constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provision or limitation.

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

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 8, Article 19 of the

West Virginia Code, as amended (the "Act"), and an Ordinance of the Borrower duly enacted on _____, 2010 as supplemented by Supplemental Resolution of the Issuer duly adopted on _____, 2010, authorizing issuance of this Bond (collectively, the "Ordinance").

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

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farm and Rural Development Act of 1965, as amended. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ISSUED ON A PARITY, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE BORROWER'S: WATER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED JUNE 26, 2008, IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $215,300 (THE "SERIES 2008 A BONDS" OR THE "PRIOR BONDS"); AND WATER REVENUE BONDS, SERIES 2010 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED _____, 2010, ISSUED IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____, (THE "SERIES 2010 B BONDS") ISSUED SIMULTANEOUSLY HEREWITH.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the TOWN OF WAR has caused this Bond to be executed by its Mayor and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Recorder, all as of the date hereinabove written.

TOWN OF WAR

[CORPORATE SEAL]

_____
Mayor

War, West Virginia

ATTEST:

_____
Recorder

EXHIBIT A

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(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 $_____

(Form of Assignment)

ASSIGNMENT

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

Dated: _____, 20___.

_____

In the presence of:

_____

(FORM OF SERIES 2010 B BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF WAR
WATER REVENUE BONDS, SERIES 2010 B
(UNITED STATES DEPARTMENT OF AGRICULTURE)

$_____

No. BR-1 Date: _____, 2010

FOR VALUE RECEIVED, the TOWN OF WAR (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of _____ DOLLARS ($_____), plus interest on the unpaid principal balance at the rate of _____% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and $_____, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

While this Bond is held by an insured lender, prepayments as above authorized made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective

date of every payment made by Borrower, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Borrower and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

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

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

This Bond is issued to (i) pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing public waterworks system of the Issuer, (ii) pay the Waterworks System Bond Anticipation Notes, Series 2009 B Notes (the "Series 2009 B Notes"); and (iii) pay costs of issuance and related costs.

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of additions, extensions and improvements to the waterworks system (the "System") of the Borrower, is payable solely from the Gross Revenues to be derived from the operation of the System. This Bond does not in any manner constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provision or limitation.

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

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 8, Article 19 of the

West Virginia Code, as amended (the "Act"), and a Ordinance of the Borrower duly adopted _____, 2010 as supplemented by Supplemental Resolution duly adopted by the Issuer on _____, 2010, authorizing issuance of this Bond (the "Ordinance").

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

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farm and Rural Development Act of 1965, as amended. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ISSUED ON A PARITY, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE BORROWER'S: WATER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED JUNE 26, 2008, IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $215,300 (THE "SERIES 2008 A BONDS" OR THE "PRIOR BONDS"); AND SERIES 2010 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED _____, 2010, ISSUED IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____, (THE "SERIES 2010 A BONDS") ISSUED SIMULTANEOUSLY HEREWITH.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the TOWN OF WAR has caused this Bond to be executed by its Mayor and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Recorder, all as of the date hereinabove written.

TOWN OF WAR

[CORPORATE SEAL]

_____

Mayor

War, West Virginia

ATTEST:

_____

Recorder

EXHIBIT A

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(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 $

(Form of Assignment)

ASSIGNMENT

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

Dated: _____, 20___.

_____

In the presence of:

_____

ARTICLE IV

SYSTEM REVENUES AND APPLICATION THEREOF; DISPOSITION OF BOND PROCEEDS; FUNDS AND ACCOUNTS

Section 4.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created (or continued if created by Prior Ordinance) with and shall be held by the Depository Bank, separate and apart from all other funds or accounts of the Depository Bank and from each other:

(1) Revenue Fund (established by Prior Ordinance);

(2) Renewal and Replacement Fund (established by Prior Ordinance); and

(3) Project Construction Account.

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

(1) Series 2008 A Bonds Sinking Fund (established by Prior Ordinance);

(2) Series 2008 B Bonds Reserve Account (established by Prior Ordinance);

(3) Series 2010 A Bonds Reserve Account; and

(4) Series 2010 B Bonds Reserve Account.

Section 4.03. Bond Proceeds; Project Construction Account. The proceeds of the sale of the Series 2010 Bonds shall be deposited upon receipt by the Issuer in the Project Construction Account. The monies in the Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by the Depository Bank by securities or in a manner lawful for the securing of deposits of State and municipal funds under West Virginia law. Monies in the Project Construction Account shall be expended by the Issuer solely for the purposes provided herein.

Monies in the Project Construction Account shall be used solely to pay the cost of acquisition and construction of the Project upon vouchers and other documentation approved by the Purchaser.

Until completion of acquisition and construction of the Project, the Issuer will additionally transfer from the Project Construction Account and pay to the Purchaser on or before the due date, such sums as shall be from time to time required to make the monthly installments on the Series 2010 Bonds if there are not sufficient Gross Revenues to make such monthly payment.

Pending application as provided in this Section 4.03, money and funds in the Project Construction Account shall be invested and reinvested at the direction of the Issuer, to the extent possible in accordance with applicable law, in Qualified Investments.

When acquisition and construction of the Project has been completed and all costs thereof have been paid or provision for such payment has been made, any balance remaining in the Project Construction Account shall be disposed of in accordance with the regulations of the Purchaser.

Section 4.04. Covenants of the Issuer as to System Revenues and Funds. So long as any of the Series 2010 Bonds shall be outstanding and unpaid, or until there shall have been set apart in the respective Series 2010 Bonds Reserve Account, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the respective Series 2010 Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the Holders of the Series 2010 Bonds as follows:

A. REVENUE FUND. The entire Gross Revenues derived from the operation of the System, and all parts thereof, and all Tap Fees received, shall be deposited as collected by the Issuer in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in the Ordinance and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner provided in the Ordinance.

B. DISPOSITION OF REVENUES. All Revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority:

(1) The Issuer shall first, each month, on or before the due date of payment of each installment on the Series 2010 Bonds, transfer from the Revenue Fund and simultaneously (i) beginning 30 days following the Closing Date, remit to the National Finance Office, the amounts required to pay the interest on the Series 2010 A Bonds. Beginning on the 24th monthly anniversary of the Closing Date and continuing on each monthly anniversary of the Closing Date thereafter, the Issuer shall transfer from the Revenue Fund and remit to the National Finance Office the amounts required to amortize the interest on the Series 2010 A Bonds over the life of the Bond issue; and (ii) beginning 30 days following the Closing Date, remit to the National Finance Office, the amounts required to pay the interest on the Series 2010 B Bonds. Beginning on the 24th monthly anniversary of the Closing Date and continuing on each monthly anniversary of the Closing Date thereafter, the Issuer shall transfer from the Revenue Fund and remit to the National Finance Office the amounts required to amortize the interest on the Series 2010 B Bonds over the life of the Bond issue. All payments with respect to

principal of and interest the Series 2010 Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(2) The Issuer shall first, each month, on or before the due date of payment of each installment on the Prior Bonds and the Series 2010 Bonds, transfer from the Revenue Fund and simultaneously (i) remit to the Commission the amount required by Prior Ordinance to pay principal on the Prior Bonds; (ii) beginning on the 24th monthly anniversary of the Closing Date and continuing on each monthly anniversary of the Closing Date thereafter, the Issuer shall transfer from the Revenue Fund and remit to the National Finance Office the amounts required to pay principal of the Series 2010 A Bonds over the life of the Bond issue; and (iii) beginning on the 24th monthly anniversary of the Closing Date and continuing on each monthly anniversary of the Closing Date thereafter, the Issuer shall transfer from the Revenue Fund and remit to the National Finance Office the amounts required to pay principal of the Series 2010 B Bonds over the life of the Bond issue. All payments with respect to principal of and interest the Prior Bonds and the Series 2010 Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(3) The Issuer shall next, transfer from the Revenue Fund and simultaneously remit (i) to the Commission the amount required by Prior Ordinance for the Series 2008 A Reserve Account; (ii) beginning on the date specified by the Purchaser, but in any event not later than the 24th monthly anniversary of the Closing Date, and continuing on each monthly anniversary of the Closing Date thereafter, transfer from the Revenue Fund and remit to the Commission for deposit into the Series 2010 A Bonds Reserve Account, 10% of the monthly payment amount, calculated monthly, until the amount in the Series 2010 A Bonds Reserve Account equals the Minimum Reserve; provided that, no further payments shall be made into the Series 2010 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 Minimum Reserve; and (iii) beginning on the date specified by the Purchaser, but in any event not later than the 24th monthly anniversary of the Closing Date, and continuing on each monthly anniversary of the Closing Date thereafter, transfer from the Revenue Fund and remit to the Commission for deposit into the Series 2010 B Bonds Reserve Account, 10% of the monthly payment amount, calculated monthly, until the amount in the Series 2010 B Bonds Reserve Account equals the Minimum Reserve; provided that, no further payments shall be

made into the Series 2010 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Minimum Reserve. Monies in the respective Series 2010 Bonds Reserve Accounts shall be used solely to make up any deficiency for monthly payments of the principal of and interest on the Series 2010 Bonds to the National Finance Office as the same shall become due or for prepayment of installments on the Series 2010 Bonds, or for mandatory prepayment of the Series 2010 Bonds as hereinafter provided, and for no other purpose; provided, however, earnings from monies in the respective Series 2010 Bonds Reserve Accounts, so long as the Series 2010 Bonds Reserve Requirement is on deposit and maintained therein, shall be returned not less than once each year, by the Commission to the Issuer, to be deposited in the Revenue Fund.

(4) The Issuer shall next, each month, pay from the Revenue Fund the Operating Expenses of the System.

(5) 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 accordance with Article VIII hereof. 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.

(6) After all the foregoing provisions for use of monies in the Revenue Fund have been fully complied with, any monies remaining therein and not permitted to be retained therein may be used to prepay installments of the Prior Bonds and the Series 2010 Bonds, pro rata, or for any lawful purpose.

Whenever the money in the Series 2010 A Bonds Reserve Account shall be sufficient to prepay the Series 2010 A Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Series 2010 A Bonds at the earliest practical date and in accordance with applicable provisions hereof.

Whenever the money in the Series 2010 B Bonds Reserve Account shall be sufficient to prepay the Series 2010 B Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Series 2010 B Bonds at the earliest practical date and in accordance with applicable provisions hereof.

The Commission is hereby designated as the Fiscal Agent for the administration of the Series 2010 Bonds Reserve Accounts as herein provided, and all amounts required for the Series 2010 Bonds Reserve Accounts will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein. If required by the Purchaser at anytime, the Issuer shall make the necessary arrangements whereby required payments into said account shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

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 reserve account payments with respect to the 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.

The Revenue Fund and the Renewal and Replacement Fund shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien on a parity with the Prior Bonds thereon for further securing payment of the Series 2010 Bonds and prior Bonds and the interest thereon, but the Depository Bank shall not be a trustee as to such funds.

If on any payment date the Revenues are insufficient to make the payments and transfers as hereinabove provided, the deficiency shall be made up in the subsequent payments and transfers in addition to those which would otherwise be required to be made on the subsequent payment dates.

Principal, interest or reserve payments, whether made for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the prior Bonds and the Series 2010 Bonds, in accordance with the respective principal amounts then Outstanding.

The Commission, at the direction of the Issuer, shall keep the monies in the Series 2010 Bonds Reserve Accounts invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities

consonant with the required use thereof. Investments in any fund or account under this Bond Legislation shall, unless otherwise provided herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia Board of Treasury Investments. 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 interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. Earnings from monies in the Series 2010 Bonds Reserve Accounts, so long as the Minimum Reserve is on deposit and maintained therein, shall be returned not less than once each year, by the Commission to the Issuer, to be deposited in the Revenue Fund.

C. CHANGE OF DEPOSITORY BANK. The Issuer may designate another bank or trust company insured by FDIC as Depository Bank if the Depository Bank should cease for any reason to serve or if the Governing Body determines by resolution that the Depository Bank or its successor should no longer serve as Depository Bank. Upon any such change, the Governing Body will cause notice of the change to be sent by registered or certified mail to the Purchaser and the Holder of the Prior Bonds.

D. USER CONTRACTS. The Issuer shall, prior to delivery of the Series 2010 Bonds, provide evidence that there will be at least _____ bona fide users upon the Project on completion, in full compliance with the requirements and conditions of the Purchaser.

E. CHARGES AND FEES. The Issuer shall remit from the Revenue Fund to the Commission or the Depository Bank such additional sums as shall be necessary to pay the charges and fees of the Commission or the Depository Bank then due.

F. INVESTMENT OF EXCESS BALANCES. The monies in excess of the sum insured by FDIC in any of such funds or accounts shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State of West Virginia.

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

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

ARTICLE V

GENERAL COVENANTS, ETC.

Section 5.01. General Statement. So long as the Series 2010 Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 2010 Bonds Reserve Accounts a sum sufficient to prepay the entire principal of the Series 2010 Bonds remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the Issuer and the Holder of the Series 2010 Bonds.

Section 5.02. Rates. Prior to the issuance of the Series 20010 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 on the Series 2010 Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2010 Bonds including the Prior Bonds; provided that, in the event that, an amount equal to or in excess of the Reserve Requirement is on deposit in the respective Series 2010 Bonds Reserve Accounts and any reserve accounts for obligations on a parity with the Series 2010 Bonds are funded at least at the requirement therefor, such sum need only equal 110% of the maximum amount required in any year for payment of principal of and interest on the Series 2010 Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2010 Bonds.

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

Section 5.03. Sale of the System. So long as the Prior Bonds are outstanding, the Issuer shall not sell, lease, mortgage or in any manner dispose of or encumber the System, or any part thereof, except as provided in the Prior Ordinances. The System will not

be sold without the prior written consent of the Purchaser so long as the Series 2010 Bonds are outstanding. Such consent will provide for disposition of the proceeds of any such sale.

Section 5.04. Issuance of Additional Parity Bonds or Obligations. So long as the Series 2010 A Bonds or Series 2010 B Bonds are outstanding, no Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Recorder a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues for the Fiscal year following the year in which such Parity Bonds are to be issued shall be at least 120% of the average annual debt service requirements on the following:

(1) The Prior Bonds and the Bonds Outstanding;

(2) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Bond Legislation then Outstanding;

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

No additional Parity Bonds or obligations payable out of any of the Revenues of the System shall be issued, except with the prior written consent of the Purchaser.

So long as the Series 2008 A Bonds are outstanding, no Parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Recorder a written statement by Independent Certified Public Accountants, reciting the conclusion that the Net Revenues actually derived, subject to the adjustment hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such additional Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, if any, shall not be less than 115%, of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

(1) The Bonds then Outstanding;

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

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

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

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

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

Section 5.05. Insurance and Bonds. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System, procure, carry and maintain, so long as the Series 2010 Bonds remain outstanding, insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

(a) Fire, Lightning, Vandalism, Malicious Mischief and Extended Coverage Insurance, to be procured upon acceptance of any part of the Project from the contractor, and immediately upon any portion of the System now in use, on all above-ground structures of the System and mechanical and electrical equipment in place or stored on the site in an amount equal to the full insurable value thereof. In the event of any damage to or destruction of any portion of the System, the Issuer will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damaged or destroyed portion. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the Issuer during construction of the Project in the full insurable value thereof.

(b) Public Liability Insurance, with limits of not less than $500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than $200,000 to protect the Issuer from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured not later than the date of delivery of the Series 2010 Bonds.

(c) Vehicular Public Liability Insurance, in the event the Issuer owns or operates any vehicle in the operation of the System, or in the

event that any vehicle not owned by the Issuer is operated at any time or times for the benefit of the Issuer, with limits of not less than $500,000 for one or more persons injured or killed in one accident to protect the Issuer from claims for bodily injury and/or death, and not less than $200,000 to protect the Issuer from claims for damage to property of others which may arise from such operation of vehicles, such insurance to be procured prior to acquisition or commencement of operation of any such vehicle for the Issuer.

(d) Workers' Compensation Coverage for All Employees of the Town Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each prime contractor, and such payment bonds have been or will be filed with the Clerk of the County Commission of said County prior to commencement of construction of the Project in compliance with West Virginia Code Section 38-2-39. Workers' compensation coverage shall be maintained as required by the laws of the State of West Virginia.

(e) Flood Insurance to be procured, to the extent available at reasonable cost to the Issuer; however, if the System is located in a community which has been notified as having special flood or mudslide prone areas, flood insurance must be obtained.

(f) Fidelity Bonds will be provided as to every member of the Governing Body and as to every officer and employee thereof having custody of the Revenue Fund or of any revenues or other funds of the Issuer in such amount as may be requested by the Purchaser from time to time.

(g) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this Section, during construction of the Project and so long as the Series 2010 Bonds or Prior Bonds are outstanding, the Issuer will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Issuer, and during such construction will require each contractor and subcontractor to carry insurance, of such types and in such amounts as the Purchaser may specify, with insurance carriers or bonding companies acceptable to the Purchaser.

Section 5.06. Statutory Mortgage Lien. So long as the Prior Bonds are Outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of or encumber the System, or any part thereof, except as provided in the Prior Ordinance. Additionally, the System will not be sold without the prior written consent of the Purchaser so long as the Series 2010 Bonds are outstanding.

Section 5.07. Events of Default. Each of the following events is hereby declared an "Event of Default":

(a) Failure to make payment of any monthly amortization installment upon the Series 2010 Bonds at the date specified for payment thereof;

(b) Failure to duly and punctually observe or perform any of the covenants, conditions and agreements on the part of the Issuer contained in the Series 2010 Bonds or herein, or violation of or failure to observe any provision of any pertinent law, and

(c). If default occurs with respect to the Prior Bonds or the Prior Ordinance.

Section 5.08. Enforcement. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such 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 Series 2010 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 Series 2010 Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Series 2010 Bonds, or the rights of such Registered Owners; provided that, all rights and remedies of the Holders of the Series 2010 Bonds shall be on a parity with those of the Holders of the Prior Bonds.

Any Registered Owner of the Bonds, by proper legal action, compel the performance of the duties of the Issuer under this 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 the Bonds shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other 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 exercise.

Whenever all that is due upon the Bonds and interest thereon and under any covenants of this Bond Legislation for reserve, sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the revenues of the System shall have been paid and made good, and all defaults under the provisions of this Bond Legislation shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any 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 the System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

Section 5.09. Fiscal Year; Budget. While the Series 2010 Bonds are outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a Fiscal Year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than 30 days prior to the beginning of each Fiscal Year, the Issuer agrees to adopt the Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each Fiscal Year.

If for any reason the Issuer shall not have adopted the Annual Budget before the 1st day of any Fiscal Year, it shall adopt a Budget of Current Expenses from month to month until the adoption of the Annual Budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the next year preceding by more than 10%; and provided further, that adoption of a Budget of Current Expenses shall not constitute compliance with the covenant to adopt an Annual Budget unless failure to adopt an Annual Budget be for a reason beyond the control of the Issuer. Each such Budget of Current Expenses shall be mailed immediately to the Purchaser.

Section 5.10. Covenant to Proceed and Complete. The Issuer hereby covenants to proceed as promptly as possible with the acquisition and construction of the Project to completion thereof in accordance with the plans and specifications prepared by the Consulting Engineer on file with the Recorder on the date of adoption hereof, subject to permitted changes.

Section 5.11. Books and Records; Audits. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and the Purchaser shall have the right at all reasonable times to inspect the System and all records, accounts and data of the Issuer relating thereto.

The Issuer shall, at least once a year, cause said books, records and accounts of the System to be properly audited by an independent competent firm of certified public accountants and shall mail a copy of such audit report to the Purchaser. The Issuer shall further comply with the Act with respect to such books, records and accounts.

Section 5.12. Maintenance of System. The Issuer covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as the Series 2010 Bonds are outstanding.

Section 5.13. No Competition. To the extent legally allowable, the Issuer will not permit competition with the System within its boundaries or within the territory served by it and will not grant or cause, consent to or allow the granting of any franchise, permit or other authorization for any person, firm, corporation, public or private body, agency or instrumentality whatsoever to provide any of the services supplied by the System within the boundaries of the Issuer or within the territory served by the System.

ARTICLE VI

RATES, ETC.

Section 6.01. Initial Schedule of Rates and Charges; Rules. A. The initial schedule of rates and charges for the services and facilities of the System, subject to change consonant with the provisions hereof, shall be as set forth in a water rate ordinance of the Issuer enacted March 7, 2010 as amended by Recommended Decision dated July 16, 2010 in Case No. 10-0534-W-MA of the Public Service Commission of West Virginia which rates are incorporated herein by reference as a part hereof.

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

C. All delinquent fees, rates and charges for services or facilities of the System shall be liens on the premises served of equal degree, rank and priority with the lien on such premises of state, county, school and municipal taxes, as provided in the Act. The Issuer shall

have all remedies and powers provided under the Act and other applicable provisions of law with regard to the collection and enforcement of such fees, rates and charges.

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

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

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

ARTICLE VII

MISCELLANEOUS

Section 7.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid, to the Holder of the Series 2010 Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 2010 Bonds, 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 Owner of the Series 2010 Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied.

Except through such direct payment to the Holder of the Series 2010 Bonds, the Issuer may not defease the Series 2010 Bonds or otherwise provide for payment thereof by escrow or like manner.

Section 7.02. Modification or Amendment. Prior to issuance of the Series 2010 Bonds, this Ordinance may be amended or supplemented in any way by ordinance or resolution. Following issuance of the Series 2010 Bonds, no modification or amendment of this Ordinance, or any ordinance or resolution amendatory hereof or supplemental hereto, shall be made without the prior written consent of the Purchaser.

Section 7.03. Delivery of Bonds. The Mayor is hereby authorized and directed to cause the Series 2010 Bonds, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

Section 7.04. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions hereof should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed severable from the remaining covenants, agreements or provisions hereof, and shall in no way affect the validity of all the other provisions hereof or the Series 2010 Bonds.

Section 7.05. Conflicting Provisions Repealed. Except for the Prior Ordinance, all ordinances, resolutions and orders, or parts thereof, in conflict with the provisions hereof are, to the extent of such conflicts, hereby repealed; provided that this section shall not be applicable to the Loan Resolution (Form FmHA 442-47).

Section 7.06. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 7.07. 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 and enactment of this Ordinance do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Mayor, 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 7.08. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Bond Legislation, determined by the Council to contain sufficient information as to give notice of the contents hereof, shall be published once a week for two successive weeks within a period of fourteen consecutive days, with at least six full days intervening between each publication, in *Welch Daily News* being qualified newspapers of general circulation in the Town of War, no newspaper being published therein, together with a notice stating that this Ordinance has been adopted, and that the Issuer contemplates the issuance of the Bonds, and that any person interested may appear before the Council upon a date certain, not less than ten days subsequent to the date of the first publication of the said abstract and notice and not prior to the last date of such publication, and present protests, and that a certified copy of the Ordinance is on file in the office of the Recorder of the Issuer for review by interested parties during regular office hours. At such hearing, all objections and suggestions shall e heard and the Council shall take such action as it shall deem proper in the premises.

[Remainder of Page Intentionally Blank]

Section 7.09. Effective Time. This Bond Legislation shall take effect following public hearing hereon in accordance with the Act.

Passed on First Reading:	October 20, 2010
Passed on Second Reading:	November 17, 2010
Passed on Final Reading Following Public Hearing:	December 15, 2010

Thomas L. Hatcher
Mayor

CERTIFICATION

Certified a true copy of an Ordinance duly enacted by the Council of the TOWN OF WAR on the 15th day of December, 2010.

Dated: January 27, 2011.

[SEAL]

Peggy Deel
Recorder

PHASE II/IV

TOWN OF WAR

Water Revenue Bonds, Series 2011 A
(United States Department of Agriculture)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION MAKING PROVISIONS 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 2011 A OF THE TOWN OF WAR, 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 on December 15, 2010 (the "Bond Ordinance"), entitled:

ORDINANCE AUTHORIZING THE PAYMENT OF THE WATERWORKS SYSTEM DESIGN BOND ANTICPATION NOTES, SERIES 2009 A, THE PAYMENT OF THE WATERWORKS SYSTEM DESIGN BOND ANTICPATION NOTES, SERIES 2009 B AND THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING WATERWORKS SYSTEM OF THE TOWN OF WAR, AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED THEREOF, THROUGH THE ISSUANCE BY THE TOWN OF NOT MORE THAN $1,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2011 A (UNITED STATES DEPARTMENT OF AGRICULTURE); AND THROUGH THE ISSUANCE BY THE TOWN OF NOT MORE THAN $700,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2011 B (UNITED STATES DEPARTMENT OF AGRICULTURE); DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS ORDINANCE SHALL TAKE EFFECT

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 2011 A, of the Issuer (the "Series 2011 A Bonds"), in an aggregate principal amount not to exceed $1,500,000, and has authorized the execution and delivery of the documents relating to the Bonds, all in accordance with Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (collectively, the "Act");

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE 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 following bonds of the Issuer:

A. Water Revenue Bonds, Series 2011 A (United States Department of Agriculture), of the Issuer, originally represented by a single Bond, numbered AR-1 in the principal amount of $1,100,000. The Series 2011 A Bonds shall be dated the date of delivery thereof, shall bear interest at the rate of 2.5% per annum, interest only payable in monthly installments for the first 12 months commencing 30 days following delivery of the Series 2011 A Bonds and continuing on the corresponding day of each month and, thereafter, principal and interest are payable in monthly installments of $3,740 on the corresponding day of each month, except that the final installment shall be paid at the end of forty (40) years from the date of the Series 2011 A Bonds, in the sum of the unpaid principal and interest due on the date thereof, except that prepayments may be made as hereinafter provided and as provided in the Series 2011 A Bonds, all such payments to be made at the National Finance Office, St. Louis, Missouri 63103, or at such other place as the Purchaser may designate after issuance of the Series 2011 A Bonds. Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the Issuer.

Section 2. 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 January 27, 2011, to the Purchaser.

Section 3. The Issuer does hereby appoint and designate Pioneer Community Bank, Iaeger, West Virginia, to serve as Depository Bank under the Bond Ordinance.

Section 4. The payment of the Prior Notes and the acquisition and construction of the Project and the financing thereof in part with the 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 5. Series 2011 A Bonds proceeds in the amount of $252,171.48 shall be deposited with United Bank, Inc. to pay the outstanding principal balance of and all accrued interest on the Issuer's Waterworks Design Bond Anticipation Notes, Series 2009 A (the "Series 2009 A Notes") at Closing.

Section 6. The Issuer hereby approves and accepts all contracts relating to the financing, acquisition and construction of the Project.

Section 7. The cost of the Project is estimated not to exceed $2,646,500, of which $1,100,000 will be obtained from proceeds of the Series 2011 A Bonds and $1,546,500 as a grant from the Purchaser.

Section 8. This Supplemental Resolution shall be effective immediately following adoption hereof.

[Remainder of Page Intentionally Blank]

Adopted this 19th day of January, 2011.

Thomas L. Hatcher

Mayor

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Council of the Town of War on the 19th day of January, 2011.

Dated: January 27, 2011.

[SEAL]

Peggy Reed
Recorder

939100.00005

SPECIMEN

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF WAR
WATER REVENUE BONDS, SERIES 2011 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

$1,100,000

No. AR-1

Date: January 27, 2011

FOR VALUE RECEIVED, the TOWN OF WAR (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of ONE MILLION ONE HUNDRED THOUSAND DOLLARS ($1,100,000), plus interest on the unpaid principal balance at the rate of 2.5% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and $3,740, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

While this Bond is held by an insured lender, prepayments as above authorized made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the

holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Borrower, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Borrower and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

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

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

This Bond is issued to (i) pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing public waterworks system of the Issuer, (ii) pay the Waterworks System Bond Anticipation Notes, Series 2009 A Notes, (the "Series 2009 A Notes"); and (iii) to pay costs of issuance and related costs.

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of additions, extensions and improvements to the waterworks system (the "System") of the Borrower, is payable solely from the Gross Revenues to be derived from the operation of the System. This Bond does not in any manner constitute an indebtedness of the Borrower within the meaning of any constitutional or statutory provision or limitation.

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

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 8, Article 19 of the West Virginia Code, as amended (the "Act"), and an Ordinance of the Borrower duly enacted on December 15, 2010 as supplemented by Supplemental Resolution of the Issuer duly adopted on January 19, 2011, authorizing issuance of this Bond (collectively, the "Ordinance").

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

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Consolidated Farm and Rural Development Act of 1965, as amended. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

THIS BOND IS ISSUED ON A PARITY, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE BORROWER'S: WATER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED JUNE 26, 2008, IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $215,300 (THE "SERIES 2008 A BONDS" OR THE "PRIOR BONDS"); AND WATER REVENUE BONDS, SERIES 2011 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED JANUARY 27, 2011, ISSUED IN THE AGGREGATE PRINCIPAL AMOUNT OF $400,000, (THE "SERIES 2011 B BONDS") ISSUED SIMULTANEOUSLY HEREWITH.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the TOWN OF WAR has caused this Bond to be executed by its Mayor and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Recorder, all as of the date hereinabove written.

TOWN OF WAR

[CORPORATE SEAL]

SPECIMEN

_____

Mayor
11701 Hwy 16
War, West Virginia 24892

ATTEST:

SPECIMEN

_____

Recorder

EXHIBIT A

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) $313,146.07	January 27, 2011	(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 $_____

(Form of Assignment)

ASSIGNMENT

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

Dated: _____, 20___.

_____

In the presence of:

_____