

TOWN OF EAST BANK, WEST VIRGINIA

\$76,000 Waterworks Revenue Bond
Series 1987

DATE OF CLOSING: September 9, 1987

TOWN OF EAST BANK, WEST VIRGINIA

Waterworks Revenue Bond

BOND AND LINE OF CREDIT ORDINANCE

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Exhibit A--Project Description

BOND AND LINE OF CREDIT ORDINANCE

Introduced in Council

8-4-87

Passed by Council

8-18-87

Introduced by

Council Member Tyler

An Ordinance authorizing the issuance of a Town of East Bank Waterworks Revenue Bond in aggregate principal amount of not to exceed \$76,000, and the sale thereof to the United States Department of Agriculture, Farmers Home Administration, to finance, along with other funds and moneys of, or available to, the Town of East Bank that may be lawfully expended for such purposes, the long-term cost of the acquisition and construction of certain extensions, additions, betterments and improvements to the waterworks system of the Town of East Bank, West Virginia; providing for the rights and remedies of and security for the owner of such Waterworks Revenue Bond; authorizing an irrevocable line of credit in an amount not to exceed \$76,000 to provide funds for such acquisition and construction pending reimbursement from the United States Department of Agriculture, Farmers Home Administration and authorizing an agreement with respect to said line of credit; and enacting other provisions related thereto.

BE IT ENACTED AND ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF EAST BANK, WEST VIRGINIA:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Definitions. The following terms shall have the following meanings in this Ordinance unless the context expressly requires otherwise:

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

B. "Authorized Officer" means the mayor of the Town of East Bank or any other officer of said Town specifically designated by resolution of the Council, as hereinafter defined.

C. "Bond" or "Bonds" means the Original Bonds and any pari passu additional Bonds hereafter issued within the terms, restrictions and conditions contained in this Ordinance.

D. "Bond Proceeds Account" means the Waterworks Revenue Bond Proceeds Account established in the Construction Trust Fund, as hereinafter defined, by Subsection 5.01(B).

E. "Bond Register" means the books of the Town maintained by the Registrar, as hereinafter defined, for the registration and transfer of Bonds.

F. "Bondholder," "Holder of the Bonds" or "Owner of the Bonds" or any similar term means any person who shall be the registered owner, as shown by the Bond Register, of any outstanding Bond.

G. "Certificate of Authentication and Registration" means the Certificate of Authentication and Registration on the Bonds in substantially the form set forth in the Bond form contained herein.

H. "Town" means the Town of East Bank, a municipal corporation of the State of West Virginia, and, where appropriate, also means the Council thereof and any department, board, agency or instrumentality thereof in control of the management and operation of the System, as hereinafter defined.

I. "Construction Trust Fund" means the Town of East Bank Waterworks Revenue Bond Construction Trust Fund established by Section 5.02.

J. "Consulting Engineers" means Appalachian Engineers, Inc., Consulting Engineers, Dunbar, West Virginia, and any engineer or firm of engineers of reputation for skill and experience with respect to the design and construction of waterworks system that shall at any time be retained by the Town as consulting engineers for the System, as hereinafter defined.

K. "Cost of Works" or similar phrases mean those costs described in Section 1.03(P) hereof to be a part of the cost of the acquisition and construction of the Project, as hereinafter defined.

L. "Council" means the Town Council of the Town or any other governing body of the Town that succeeds to the functions of the Council as presently constituted.

M. "Credit Line Note" means the note authorized by Section 6.02 hereof to evidence the Town's obligation to repay any draw under the Line of Credit, as hereinafter defined.

N. "Depository Bank" means a state banking corporation or national banking association, eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the Federal Deposit Insurance Corporation, as shall be appointed by a resolution supplemental hereto, and any successor thereto.

O. "Depreciation Account" means the Waterworks Revenue Bond Depreciation Account established by Section 4.01(A)(2).

P. "Event of Default" means any event or occurrence specified in Section 8.01.

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

R. "Government" means the United States Department of Agriculture, Farmers Home Administration, and any successor thereto, as the Original Bond Purchaser of the Original Bond both as hereinafter defined.

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

T. "Gross Revenues" or "revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provisions 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 defined herein) or any connection charges, and for the furnishing by the Town of miscellaneous services.

U. "Independent Certified Public Accountant" means any firm of certified public accountants which shall be retained by the Town as independent accountants for the System, as hereinafter defined.

V. "Line of Credit" means the irrevocable line of credit in an amount not to exceed \$76,000 authorized by Section 6.01.

W. "Line of Credit Agreement" means the agreement establishing the Line of Credit, said agreement to be approved in substantial form by the Supplemental Resolution.

X. "Net Revenues" means Gross Revenues less Operating Expenses, as hereinafter defined.

Y. "Operating Expenses" means the reasonable, proper and necessary cost of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the Costs, fees and expenses of the fiscal agents, registrars, paying agents and trustees, other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption, if any, or interest on interim financing or 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.

Z. "Ordinance," regardless of whether preceded by the article "the" or "this," means this Ordinance as it may hereafter from time to time be amended or supplemented.

AA. "Original Bond" means the not to exceed \$76,000 in aggregate principal amount of Waterworks Revenue Bond of the Town originally authorized to be issued and sold to the Government pursuant to this Ordinance and which will be specifically designated by a Supplemental Resolution.

BB. "Original Bond Purchaser" means the Government as purchaser, directly from the Town, of the Original Bond issued pursuant hereto.

CC. "Outstanding," when used with reference to Bonds, as of any particular date, describes all Bonds theretofore and thereupon being issued and delivered except (a) any Bond cancelled by the Registrar, as hereinafter defined, at or prior to said date; (b) any Bond for the payment of which monies equal to its principal amount, with interest to the date of maturity, shall be held in trust under this Ordinance and set aside for such payment (whether upon or prior to maturity); (c) any Bond deemed to have been paid as provided by Section 10.07; and (d) with respect to determining a specified percentage of Bondholders for the purpose of consents, notices and the like, any Bond registered to the Town.

DD. "Project" means the extensions, additions, betterments and improvements to the existing municipal waterworks system of the Town described in Exhibit A attached hereto and incorporated herein by reference.

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

(a) Government Obligations;

(b) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Bank; Federal Home Loan Bank System; Federal Land Banks; or Governmental National Mortgage Association;

(c) 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;

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

(e) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (c) 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 any said repurchase agreement either must mature as nearly as practicable coincident with the maturity of said repurchase agreement or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said repurchase agreement, and provided further that the holder of such repurchase agreements 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; and

(f) The "Consolidated Fund" (or any distinct portion thereof) managed by the West Virginia State Board of Investments pursuant to Article 6, Chapter 12 of the Code of West Virginia, 1931, as amended.

FF. "Registrar" means the Registrar for the Bonds which shall be appointed by a resolution supplemental hereto.

GG. "Reserve Account" means the Waterworks Revenue Bond Reserve Account established by Section 4.01(A)(1).

HH. "Revenue Fund" means the Waterworks Revenue Bond Revenue Fund established with the Depository Bank in Section 4.01(A).

II. "State" means the State of West Virginia.

JJ. "Supplemental Resolution" means any ordinance or resolution amendatory hereof or supplemental hereto and, when preceded by the article the, refers specifically to the supplemental resolution authorizing the sale of the Original Bond to the Government; provided, that any provision intended to be included in the Supplemental Resolution and not so included may be contained in any other Supplemental Resolution.

KK. "System" means the complete existing waterworks system now owned by the Town for a water supply system, in its entirety or any integral part thereof, and includes any extensions, additions, betterments and improvements thereto as authorized by this Ordinance, or hereafter constructed or acquired for said waterworks system from any sources whatsoever, within and without said Town.

LL. 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 or neuter gender shall include all other genders.

MM. Additional terms and phrases are defined in this Ordinance as they are used. Accounting terms not specifically defined herein shall be given meaning in accordance with general accepted accounting principles.

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

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

Section 1.02. Authority of This Ordinance. This Ordinance is enacted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.03. Findings. It is hereby found, determined and declared that:

(A) The Town now owns and operates a waterworks system, furnishing water service to residences, premises and businesses residing or located within and without the area of the Town.

(B) It is deemed necessary and desirable for the health, welfare and safety of the inhabitants of the Town that there be constructed certain extensions, additions, betterments and improvements to the System in accordance with the plans and specifications prepared by the Consulting Engineers, which Project is generally described in Exhibit A attached hereto and by this reference made a part hereof.

(C) The estimated maximum cost of the construction of the Project is \$265,159, of which \$76,000 will be permanently obtained from the proceeds of the Original Bond herein authorized, \$155,000 will be obtained from a grant from the Appalachian Regional Commission and \$34,159 will be provided by the Town. Pending the receipt of the advances of the Original Bond proceeds, the Town shall temporarily finance the construction with a Line of Credit in an amount not to exceed \$76,000.

(D) The period of usefulness of the System after completion of the Project will not be less than forty years.

(E) The estimated Gross Revenues to be derived in each year after the issuance of the Original Bond from the operation of the System will be sufficient to pay all the cost of the operation and maintenance of said System, the principal of and interest on the Original Bond authorized to be issued pursuant to this Ordinance and all sinking fund, reserve and other payments provided for in this Ordinance.

(F) The Town derives revenues from the System and upon the issuance of the Original Bond the Town will grant the Government a first lien on the Gross Revenues of the System, provided that if any interim financing is outstanding at the time of issuance of the Original Bond, the interim financing will have a junior and subordinate lien on revenues to that of the Government as Original Bond Purchaser.

(G) The Internal Revenue Code of 1986, as amended, and including the rules and regulations promulgated pursuant thereto or to any predecessors or successors thereto (collectively, the "Code"), provides exceptions from the rebate provisions for issues of small governmental units meeting certain requirements.

(H) It is in the best interest of the Town and its inhabitants to qualify for the small governmental unit exception from the rebate provisions.

(I) The Town is a governmental unit with general taxing powers.

(J) The Original Bonds are not private activity bonds as defined by the Code.

(K) Ninety-five percent (95%) or more of net proceeds (as defined with respect to the Code) of the Original Bonds will be used for local governmental activities of the Town.

(L) The Town reasonably expects that the aggregate face amount of all tax-exempt bonds (other than private activity bonds) issued by the Town and all subordinate entities thereof during the calendar year in which the Original Bonds will be issued, being 1987, will not exceed \$5,000,000.

(M) The Town will not permit at any time any of the proceeds of the Original Bonds or other funds of the Town 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 Code.

(N) The Town will file all statements, instruments and returns necessary to assure the tax-exempt status of the Bonds.

(O) The Bonds will not be federally guaranteed within the meaning of the Code.

(P) It is deemed necessary for the Town to issue its Original Bond, in part to permanently finance the costs of acquisition and construction of the Project and enter into the Line of Credit Agreement to temporarily pay certain costs of acquisition and construction pending the advance from time to time of the Original Bond proceeds. Said costs shall be deemed to include the cost of all property rights, easements, and franchises deemed necessary therefor; the cost of the construction of said extensions, additions, betterments and improvements to the System and any other expenses necessary, incidental, desirable or appurtenant to the acquisition and construction of the Project and such replacements as are necessary therefor; the cost of interim financing for such Project; interest on the Original Bond, prior to, during and for six months after the estimated date of completion of construction of the Project; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; expenses for the service of registrars, paying agents, depositories or other agents in connection with the issuance of the Original Bond, and such other expenses as may be necessary or desirable to said acquisition and construction of the Project and placing the same in operation and the financing authorized by this Ordinance.

Section 1.04. Ordinance Constituting Contract. In consideration of the acceptance of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the Town and such Bondholders, and the covenants and agreements herein set forth to be performed by said Town shall be for the equal benefit, protection and security of the legal Holders of such Bonds.

ARTICLE II

AUTHORIZATION OF EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE SYSTEM

Section 2.01. Authorization of Extensions, Additions, Betterments and Improvements. There is hereby authorized the construction and acquisition of the Project in accordance with plans and specifications therefor prepared by the Consulting Engineers.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION AND REGISTRATION OF BONDS

Section 3.01. Authorization of the Original Bond. Subject and pursuant to the provisions hereof, the Bond of the Town to be known as "Town of East Bank Waterworks Revenue Bond," of the series to be designated by the Supplemental Resolution (the "Original Bond") is hereby authorized to be issued in the aggregate principal amount of not exceeding Seventy-Six Thousand Dollars (\$76,000) for the purpose of permanently financing a portion of the costs of the Project.

Section 3.02. Description of Original Bond. The Original Bond shall be issued as a fully registered Bond in single form with a record of amortized installments attached, numbered R-1, not to exceed \$76,000, and shall be dated on the date of delivery thereof. The Bond shall bear interest from date of delivery but only upon the amounts advanced thereunder, payable monthly, commencing on the first day of the month following the month in which the Bond is issued, at the rate of five per centum (5%) per annum, and shall be sold for the par value thereof.

The Original Bond shall be subject to prepayment of scheduled installments, or any portion thereof, at the option of the Town, shall be payable as provided in the Bond form hereinafter set forth and shall be subject to the other terms and provisions set forth in the Bond.

Section 3.03 Execution of the Bonds. The Bonds shall be executed in the name of the Town by the Mayor, and the seal of the Town 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 Bonds shall cease to be such officer of the Town before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Town by such person as at the actual time of the execution of such Bond shall hold the proper office in the Town, although at the date of such Bond such person may not have held such office or may not have been so authorized.

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

Section 3.05. Negotiability; Registration. The Bonds shall be, and have all of the qualities and incidents of, negotiable instruments under the Uniform Commercial Code of the State, and each successive Bondholder, in accepting any said Bond, shall be conclusively deemed to have agreed that such Bond shall be, and have all of the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State, and each successive Bondholder shall further be conclusively deemed to have agreed that said Bond shall be incontestable in the hands of a bona fide holder for value. So long as any of the Bonds remain Outstanding, the Registrar shall keep and maintain books for the registration and transfer the Bonds. Notwithstanding the foregoing, the Bonds shall be transferable only by transfer of registration upon the Bond Register by the registered owner thereof in person or by his attorney or legal representative duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or such duly authorized attorney or legal representative. Upon the transfer of a Bond, there shall be issued at the option of the Bondholder or the transferee another Bond or Bonds of the aggregate principal amount equal to the unpaid amount of the transferred Bond.

In all cases in which the privilege of exchanging Bonds or transferring the Bonds is exercised, Bonds shall be delivered in accordance with the provisions of this Ordinance. All Bonds surrendered in any such transfer shall forthwith be cancelled by the Registrar. For every such transfer of Bonds, the Registrar may make a charge sufficient to reimburse his office for any tax, fee or other governmental charge required to be paid with respect to such transfer and the cost of preparing each new Bond upon each transfer, and any other expenses of said Registrar incurred in connection therewith, which sum or sums shall be paid by the person requesting such transfer as a condition precedent to the exercise of the privilege of making such transfer; provided, the Town shall pay any such expenses incurred in connection with a transfer or exchange by the Government. The Registrar shall not be obligated to make any such transfer of Bonds during the ten (10) days preceding any interest payment on the Bonds or after notice of any prepayment or redemption of the Bonds has been given.

Any registration or transfer of registration of Bonds shall include supplying the Registrar with a Federal Employer Identification Number of the Bondholder (or comparable identifying information if the Bondholder is not a corporate entity) and such other information and shall comply with such other requirements as shall be determined by nationally recognized bond counsel to be necessary to render the interest on the Bond exempt from federal income taxation.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Town may in its discretion issue and deliver a new Bond 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 the Town proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Town may prescribe and paying such expenses as the Town may incur. Any Bond so surrendered shall be cancelled by the Registrar and held for the account of the Town. If such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Town may pay the same, upon being indemnified as aforesaid, and, if such Bond be lost, stolen, or destroyed, without surrender therefor.

Any such duplicate Bond issued pursuant to this section shall constitute an original, additional contractual obligation on the part of the Town, whether or not the lost, stolen or destroyed Bond be at any time found by any one, and such duplicate Bond shall be entitled to equal and proportionate benefits and rights as to lien and source of security for payment from the revenues pledged herein with all other Bonds issued hereunder.

Section 3.07. Form of Bond. Subject to the provisions of this Ordinance, the text of the Original Bond and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted by this Ordinance, the Supplemental Resolution or any subsequent resolution or ordinance adopted or enacted prior to the issuance thereof:

(Form of Single, Fully Registered Bond)

No. R-1

TOWN OF EAST BANK, WEST VIRGINIA
WATERWORKS REVENUE BOND, SERIES 1987

\$76,000.

Date _____

FOR VALUE RECEIVED, the TOWN OF EAST BANK, WEST VIRGINIA (herein called the "Borrower"), promises to pay to the order of the United States of America, Farmers Home Administration, United States Department of Agriculture (herein called the "Government"), at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing and in the manner provided below, the principal sum of Seventy-Six Thousand Dollars (\$76,000), plus interest on the unpaid principal balance at the rate of five per centum (5%) per annum.

The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only on the amounts advanced hereunder, commencing the first day of the month following the month of delivery of this Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and installments of \$374, 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 herein below. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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. Extra payments, as defined in the regulations of the Farmers Home Administration, 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.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect 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. The Borrower has granted to the Government a lien on the proceeds of the Bond until such proceeds are expended for authorized purposes.

This Bond is issued to permanently finance a portion of the cost of construction and acquisition of certain extensions, additions, betterments and improvements to the Town's waterworks system (the "Project") (the Project, together with the existing waterworks system of the Town and any further extensions, additions, betterments and improvements thereto, herein called the "System") under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Article 19 of Chapter 8 of the Code of West Virginia, 1931, as amended, and an ordinance duly enacted by the Town Council of the Town of East Bank on the _____ day of _____, 19____, as supplemented by a resolution duly adopted by said Town Council on the _____ day of _____, 19____ (herein collectively called the "Ordinance"), and is subject to all the terms and conditions of said Ordinance. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for this Bond under the Ordinance.

This Bond is payable only from and secured by the revenues to be derived from the operation of the System of the Borrower, which Gross Revenues shall be sufficient to pay the costs of operating and maintaining the System and principal of, and interest on, all bonds which may be issued for the construction, acquisition, improvement, extension or betterment of such System as and when the same become due and payable, and which shall be set aside and remitted to the Government as provided herein and in the Ordinance. This Bond does not constitute an indebtedness of the Town of East Bank within the meaning of any constitutional or statutory provisions or limitations, nor shall the Borrower be obligated to pay the same or the interest hereon except from the Gross Revenues as defined in the Ordinance, derived from the operation of said System. The Borrower in said Ordinance has covenanted and agreed that the schedule of rates or charges from time to time in effect shall be sufficient to provide for all reasonable operating expenses of the System and to leave a balance each year equal to at least 110% of the average annual debt service on this Bond and any other bonds on a parity with this Bond then outstanding and of the average annual debt service of any other obligations payable from the revenues of the System of the Borrower. Said Borrower has entered into certain further covenants with the owner of this Bond for the terms of which

reference is made to said Ordinance. Remedies provided the owner of this Bond are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

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.

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.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of said Town, 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 of said Town have been pledged to and will be set aside into said special fund by said Town for the prompt payment of the principal of and interest on this Bond.

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Rural Development Act of 1972. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

IN WITNESS WHEREOF, the said Town of East Bank has caused this Bond to be signed by its Mayor, attested by its Recorder and its corporate seal to be impressed hereon, all as of the date first written above.

TOWN OF EAST BANK

(Name of Borrower)

(Signature of Executive Official)

Mayor
(Title of Executive Official)

P. O. Box 307
(Post Office Box No. or Street
Address)

East Bank, West Virginia 25067
(City, State and Zip Code)

[CORPORATE SEAL]

ATTEST:

(Signature of Attesting Official)

Recorder
(Title of Attesting Official)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is the Bond described in the within-mentioned Ordinance and has been duly registered as of the date set forth below in the name of the United States of America, Farmers Home Administration, United States Department of Agriculture.

Registrar

By: Its Authorized Officer

Dated: _____

RECORD OF PAYMENTS

Date	Amount	Initialed By
(1)	\$	
(2)	\$	
(3)	\$	
(4)	\$	
(5)	\$	
(6)	\$	
(7)	\$	
(8)	\$	
(9)	\$	
(10)	\$	

TOTAL: \$

Pay to the Order of

UNITED STATES OF AMERICA
FARMERS HOME ADMINISTRATION

By:

(Title)

ARTICLE IV

SYSTEM REVENUES AND APPLICATION THEREOF

Section 4.01. System Revenues and Application Thereof. So long as any of the Bonds shall be outstanding and unpaid, the Town covenants with the Bondholders as follows:

A. Establishment of Revenue Fund and Disposition of System Revenues. The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited by the Town in the Revenue Fund, which is hereby established with the Depository Bank. The Revenue Fund shall constitute a trust fund for the purposes provided in this Ordinance and shall be kept separate and distinct from all other funds of the Town and used only for the purposes and in the manner herein provided. All revenues at any time remaining on deposit in the Revenue Fund shall be disposed of only in the following manner and order of priority.

(1) First, from the moneys in the Revenue Fund, the Town shall on the first day of each month, commencing on the first day of the month following the month of delivery of the Original Bond, apportion and set apart out of the Revenue Fund and remit to the office and place designated by the Original Bond (herein called the "Sinking Fund") the monthly payment of interest or of principal and interest set forth in the Original Bond form hereinabove set forth, such amount or amounts being the amount required to pay the interest on the Original Bond and to amortize the principal of the Original Bond over the life of the Original Bond; provided however, that the deposits to the Sinking Fund constitute actual payments of principal and interest. The amounts required for principal and interest payments on Bonds issued hereunder other than the Original Bonds shall be deposited in a sinking fund created by supplemental resolution.

The Town shall next transfer from the Revenue Fund and deposit in a Reserve Account at the West Virginia Municipal Bond Commission (the "Commission"), or in the case of Bonds other than the Original Bond in the reserve account in the sinking fund or otherwise as designated by Supplemental Resolution, on the first day of each month of each year, beginning with and including the month in which payments from the Revenue Fund for interest are commenced, an amount equal to ten percent (10%) of all amounts required for maturing principal and interest in that year: Provided, however, that no further payments shall be made into said Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the maximum amount of principal and interest which will mature and become due on said Bonds in any succeeding Fiscal Year.

Moneys in the Reserve Account shall be used only for the purpose of payment of maturing principal of or interest on the Bonds when moneys in the Revenue Fund or, in the case of Bonds other than the Original Bonds, the funds in the sinking fund created by Supplemental Resolution are insufficient therefor and for no other purpose.

Any withdrawals from the Reserve Account shall be subsequently restored from the first revenue available after all required payments to the Sinking Fund and Reserve Account, including any deficiencies for prior payments, have been made in full.

As and when additional Bonds ranking on a parity with the Original Bond are issued, provision shall be made by Supplemental Resolution for additional payments sufficient to pay the interest on such additional parity Bonds and to accomplish retirement thereof at or before maturity and to accumulate a balance in the Reserve Account in an amount equal to the maximum provided and required to be paid in principal and interest in any Fiscal Year for account of all the Bonds.

(2) Thereafter, from the moneys remaining in said Revenue Fund, the Town shall next, on the first day of each month commencing with the first month in which interest shall be payable from the Revenue Fund, remit to the Depository Bank for deposit in a special account to be designated the "Depreciation Account," which account is hereby established and created, a sum equal to \$150 (\$1,800 per year). No further payments shall be required to be made into said Depreciation Account when there shall have been deposited therein, and so long as there shall remain on deposit therein, Ten Thousand Dollars (\$10,000). All funds in said Depreciation Account shall be kept apart from all other municipal funds, and all or any part of said fund may be invested as provided by Article VIII. Withdrawals and disbursements may be made from said Depreciation Account for replacements, emergency repairs, additions, betterments or improvements to the System, deficiencies in the payment of principal and interest on the Bond, or debt service on obligations not on a parity with the Bonds, the proceeds of which obligations were used to finance such additions, betterments or improvements.

(3) Thereafter, from the moneys remaining in said Revenue Fund, the Town shall pay all Operating Expenses of the System.

(4) If all of the above required payments are then current, the Town may use any moneys remaining in the Revenue Fund for the following purposes: (a) for prepayment of the amount, or any part thereof, of the Bonds outstanding in accordance with the terms thereof, (b) additions, betterments or replacements to the System which the Consulting Engineers

certify are needed and/or (c) payments of principal and interest on subordinate waterworks revenue bonds or other obligations which may hereafter be issued by the Town on account of the System.

All of the funds provided for above shall constitute trust funds and shall be used only for the purposes provided herein.

(5) The moneys in excess of the sum insured by the maximum amounts insured by the Federal Deposit Insurance Corporation in the Revenue Fund, in the Reserve Account and in the Depreciation Account shall at all times be secured, to the full extent thereof in excess of such insured sum, by Government Obligations or such other obligations as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

(6) If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds 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 on the subsequent payment dates.

ARTICLE V

APPLICATION OF BOND PROCEEDS

Section 5.01. Application of Bond Proceeds.

From the moneys from time to time received from the sale of the Original Bond, the following amounts shall be first deducted and deposited as follows:

(A) The sum required, with other moneys available therefor, to pay interest on the Original Bonds during construction and for a period up to six months thereafter shall be deposited in the Construction Trust Fund, hereinafter created.

(B) The sum required, with other moneys available therefor, to pay the principal of and interest on the obligation incurred under the Line of Credit Agreement shall be deposited as provided in Section 6.02.

Section 5.02. Construction Trust Fund.

There is hereby created with the Depository Bank a special fund to be known as the "Construction Trust Fund," which fund shall be kept separate and apart from all other funds of the Town, and shall be drawn out, used and applied by the Town solely for the payment of the costs of the construction and acquisition of the Project and purposes incidental thereto, for the payment of interest on the Original Bonds during construction and for a period up to six months thereafter and for no other purposes whatsoever. All amounts received by the Town pursuant to a draw upon the Line of Credit authorized by Section 6.01 hereof shall be deposited in the Construction Trust Fund. The moneys in said fund shall be secured at all times by the deposit by such bank, as security, of Government Obligations having a fair market value at least equal to the balance in said fund in excess of the amount insured by the Federal Deposit Insurance Corporation. Any moneys not needed immediately for said purposes may, with the consent of the Consulting Engineers, be invested pursuant to Article IX. If for any reason the amounts on deposit in the Construction Trust Fund are not necessary for, or are not applied to, such purposes, then such unapplied amounts shall be deposited by the Town as determined by the rules and regulations of the Government. All such proceeds shall constitute a trust fund for such purposes, and there is hereby created a lien upon such moneys, until so applied, in favor of the Holders of the Original Bond herein authorized.

Expenditures or disbursements from said Construction Trust Fund, except for legal, fiscal and engineering expenses and expenses in connection with the issuance and sale of the Original Bond shall be made only after such expenditures or

disbursements shall have been approved in writing by the Consulting Engineers, the Authorized Officer and the Government.

ARTICLE VI

LINE OF CREDIT

Section 6.01. Authorization of Line of Credit. As a method of providing funds for the acquisition and construction of the Project to the extent grant proceeds and other funds are not available therefor and pending the receipt of advances from the Original Bond Purchaser, the Mayor of the Town is hereby authorized and directed to arrange for a Line of Credit in an amount not to exceed \$76,000. The amount and terms of the Line of Credit shall be approved by a resolution supplemental hereto.

Section 6.02. Authorization of Credit Line Note. For the purpose of evidencing the Town's obligation to repay any draw upon the Line of Credit and thus, of financing a portion of the cost of acquisition and construction of the Project, there shall be issued the Credit Line Note of the Town in an amount, not to exceed \$76,000, and upon such terms as set forth in a resolution supplemental hereto. The Credit Line Note shall be issued in single, fully registered form and shall be dated as of the date of delivery thereof. There shall be attached to the Credit Line Note a Record of Advances and Payments, upon which the date and principal amount of any draw upon the Line of Credit, the date and amount of any payment of principal of the Credit Line Note and the amount of the Credit Line Note outstanding after either of said transactions shall be recorded. Anything to the contrary herein, in the Line of Credit Agreement or therein notwithstanding, the Credit Line Note shall evidence only the outstanding indebtedness recorded on the Record of Advances and Payments attached thereto, and interest shall accrue only on the amount of each advance from the actual date thereof as listed on said Record of Advances and Payments. Each such advance shall bear interest, payable on such dates, at a rate set forth in a supplemental resolution but not to exceed 12 percent per annum. Interest shall cease to accrue on the amount of the Credit Line Note outstanding, or portions thereof, as the same are paid, as reflected by said Record of Advances and Payments. The Credit Line Note shall mature on such date, not later than twenty-four (24) months from the date thereof. The Credit Line Note shall be subject to such further terms as shall be provided by the Line of Credit Agreement. Notwithstanding the foregoing, the terms of the Credit Line Note, other than the principal amount thereof, may be modified by resolution supplemental and amendatory hereto, subject to the limits of the Act.

The Credit Line Note shall be payable as to principal upon surrender at the principal office of a registrar, designated in a resolution supplemental hereto, in any coin or currency which on the date of payment of principal is legal tender for the payment of public and private debts under the

laws of the United States of America; provided, that any partial payment of principal prior to the final maturity of the Credit Line Note shall be recorded on the Record of Advances and Payments attached to the Credit Line Note, and the Credit Line Note shall be returned to the owner thereof. Interest on the Credit Line Note shall be paid by check or draft mailed to the Owner thereof at the address as it appears on the books of said registrar; provided, that, at the option of the Owner, such payment may be made by wire transfer or such other method as shall be agreeable to the Owner, the Town and said registrar.

Section 6.03. Execution of Credit Line Note. The Credit Line Note shall be executed in the name of the Town by the signature of its Mayor, and the seal of the Town shall be affixed thereto and attested by the signature of the Recorder. Any Credit Line Note may be signed and sealed on behalf of the Town by such person as at the actual time of the execution of such Credit Line Note shall hold the proper office of the Town, although at the date of such Credit Line Note such person may not have held such office or may not have been so authorized.

Section 6.04. Negotiability, Transfer and Registration. Subject to the restrictions on transfer set forth below, the Credit Line Note shall be and have all of the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State, and each successive Owner, in accepting the Credit Line Note, shall be conclusively deemed to have agreed that said Credit Line Note shall be incontestable in the hands of a bona fide holder for value.

So long as the Credit Line Note or any portion thereof remains Outstanding, the registrar shall keep and maintain books for the registration and transfer of the Credit Line Note. The Credit Line Note shall be transferable only upon the books of the Town which shall be kept for that purpose at the office of the registrar (in such capacity and in the capacities of authenticating agent and paying agent as hereinafter provided, the "Note Registrar") by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Note Registrar duly executed by the registered owner or his duly authorized attorney. Upon the transfer of the Credit Line Note, there shall be issued at the option of the Owner or the transferee another Credit Line Note or Notes of the aggregate stated principal amount equal to the stated principal amount of such transferred Credit Line Note not paid as reflected on the Record of Advances and Payments attached thereto and outstanding in the aggregate principal amount equal to the advanced but unpaid amount of the transferred Note as reflected on the Record of Advances and Payments attached thereto.

In all cases in which the privilege of transferring the Credit Line Note is exercised, Credit Line Notes shall only be issued in accordance with the provisions of this Ordinance, as supplemented in connection with the issuance of the Credit Line Note. All Credit Line Notes surrendered in any such transfers shall forthwith be cancelled by the Note Registrar. For every such transfer of Credit Line Notes, the Note Registrar may make a charge sufficient to reimburse its office for any tax, fee or other governmental charge required to be paid with respect to such transfer and the cost of preparing each Credit Line Note upon each transfer, and any other expenses of the Note Registrar incurred in connection therewith, which sum or sums shall be paid by the person requesting such transfer as a condition precedent to the exercise of the privilege of making such transfer. The Note Registrar shall not be obliged to make any such transfer of Credit Line Notes during the ten (10) days preceding an interest payment date on the Credit Line Notes or after notice of any prepayment of the Credit Line Notes has been given.

Section 6.05. Form of Credit Line Note. The text of the Credit Line Note shall be in substantially the form provided by the Line of Credit Agreement, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted by this Ordinance or any supplemental resolution or ordinance adopted or enacted prior to the issuance thereof. The Credit Line Note shall not become valid until authenticated by the Note Registrar.

Section 6.06. Proceeds of Draw Under Line of Credit Agreement. The proceeds of any draw made by the Town under the Line of Credit Agreement shall be immediately deposited in the Construction Trust Fund established with the Depository Bank and expended in accordance with Section 5.02 hereof.

ARTICLE VII

ADDITIONAL COVENANTS OF THE TOWN

Section 7.01. General Covenants of the Town. All the covenants, agreements and provisions of this Ordinance shall be and constitute valid and legally binding covenants of the Town and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Bonds. In addition to the other covenants, agreements and provisions of this Ordinance, the Town hereby covenants and agrees with the Bondholders as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as the Bonds or the interest thereon is outstanding and unpaid or until there shall have been set apart in the Reserve Account or Sinking Fund and Reserve Account with respect to Bonds other than the Original Bond, a sum sufficient to pay when due, to defease or to prepay, the entire principal amount of the Bonds remaining unpaid, together with interest accrued and to accrue thereon.

Section 7.02. Bonds Not To Be Indebtedness of the Town. The Bonds shall not be or constitute an indebtedness of the Town within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the Gross Revenues of the System, as herein provided. No Holder or Holders of any Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power of the Town to pay said Bonds or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Gross Revenues; Statutory Mortgage Lien. The payment of the debt service of all of the Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Gross Revenues derived from the operation of System, to the extent necessary to make the payments required under Section 4.01. The Gross Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Bonds herein authorized, and to make the payments into the Reserve Account and all other payments provided for in this Ordinance, are hereby irrevocably pledged in the manner provided in this Ordinance, to the payment of the principal of and interest on the Bonds herein authorized as the same become due, and for the other purposes provided in this Ordinance.

For the further protection of the holder of the Bonds, the statutory mortgage lien upon the System created by Chapter 8, Article 19, Section 8, of the Code of West Virginia, 1931, as amended, is hereby specifically recognized by the Town.

Section 7.04. Rates. While the Bonds authorized hereunder or any of them remain outstanding and unpaid, the

rates for all services and facilities rendered by said System shall be reasonable and just, taking into account and consideration the cost and value of said properties and the cost to maintain and operate the same and the proper and necessary allowance for depreciation thereof, and the amount necessary for the retirement of all Bonds and the interest thereon as may be outstanding under the provisions of this Ordinance. The schedule of rates and charges shall at all times be sufficient to pay the Operating Expenses of the System, provide an adequate Reserve Account and adequate Depreciation Account and pay the principal of and interest on all Bonds issued hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Town hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient to provide for all reasonable Operating Expenses of the System and to leave a balance each year equal to at least 110% of the average annual debt service on the Bonds Outstanding and of the average annual debt service of any other obligations of the Town payable from Revenues of the System.

So long as any of the Bonds issued hereunder shall remain outstanding and unpaid, the following rates shall be the minimum monthly rates to be charged for the services rendered by said System:

Rates

Available for general domestic, commercial,
and industrial service

First 2,000 gals. @ \$ 3.39 per M gals.
Next 3,000 gals. @ \$ 2.56 per M gals.
Next 10,000 gals. @ \$ 2.23 per M gals.
Over 15,000 gals. @ \$ 1.96 per M gals.

(Minimum Monthly Bill \$6.78)

Minimum Charge

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

5/8" meter - \$	6.78 per month
1" meter - \$	17.35 per month
1 1/2" meter - \$	39.03 per month
2" meter - \$	69.42 per month
3" meter - \$	156.27 per month
4" meter - \$	277.71 per month
6" meter - \$	624.97 per month
8" meter - \$	1,111.03 per month

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.

Section 7.05. Completion, Operation and Maintenance. The Town will expeditiously complete the Project in accordance with the plans and specifications prepared by the Consulting Engineers, subject to changes permitted by the Town and the Government, and will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of the System in the manner provided in this Ordinance.

Section 7.06. Sale of the System. So long as the Original Bond is Outstanding, the System may be sold, transferred, mortgaged, leased or otherwise disposed of or encumbered only with the written consent of the Government, and such consent will specify the disposition of any such sale or transfer.

Section 7.07. Issuance of Other Obligations Payable out of Revenues and General Covenant Against Encumbrances. The Town shall not issue any other obligations whatsoever, except pari passu additional bonds ("Additional Bonds") provided for in Section 7.08 hereof, 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 Original Bond; and all obligations hereafter issued by the Town payable from the revenues of the System, except such Additional 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 Original Bond.

The Town 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 Original Bond, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Original Bond and the interest thereon in this Ordinance, or upon the System or any part thereof, except as provided in Section 7.08.

Section 7.08. Issuance of Additional Bonds. No Additional Bonds, as in this section defined, payable out of the revenues of the System, shall be issued after the issuance of the Original Bond pursuant hereto, except under the conditions and in the manner herein provided.

(A) No such Additional Bonds shall be issued without the written consent in advance of the Government. No such Additional Bonds shall be issued except for the purpose of financing the costs of the construction or acquisition of extensions, additions, betterments and improvements to the System or refunding one or more series of Bonds issued hereunder, except as provided in subsection (F) of this section.

(B) No such Additional Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Recorder a written certification by a certified public accountant not in the regular employ of the Town, based upon the necessary investigation, reciting the conclusion that the Net Revenues actually derived from the System during the Fiscal Year immediately preceding the date of the issuance of such Additional Bonds shall have been not less than one hundred twenty percent (120%) of the average aggregate amount which will mature or become due in any succeeding Fiscal Year for principal of and interest on the Original Bond and on all Bonds of all other outstanding series on a parity with the Original Bond and on the Additional Bonds then proposed to be issued. This limitation may be waived or modified by the written consent of Bondholders representing 75% of each series of the then Outstanding Bonds issued pursuant hereto.

(C) Prior to or concurrently with the issuance of any such Additional Bonds, the Town shall have entered into written contracts for the immediate acquisition or construction of such

extensions, additions, betterments or improvements to the System which are to be financed by such Additional Bonds.

(D) The term "Additional Bonds," as used in this section, shall be deemed to mean Additional Bonds issued under the provisions and within the limitations of this section, payable from the revenues of the System on a parity with the Original Bond, and all the covenants and other provisions of this Ordinance (except as to details of such Additional Bonds inconsistent therewith) shall be for the equal benefit, protection and security of the Holders of any Bonds issued pursuant to this Ordinance and the Holders of any Additional Bonds subsequently issued within the limitations of and in compliance with this section. All such Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Gross Revenues of the System, and their source of and security for payment from said Gross Revenues, without preference of any Bond over any other. The Town shall comply fully with all the increased payments into the various funds, either new or created herein, required for such Additional Bonds, in addition to the payments required for the Original Bond originally issued hereunder. Redemption of Bonds prior to maturity, in the event that the Original Bond and Additional Bonds hereby authorized are Outstanding, shall as nearly as practical be on an equal pro rata basis reflecting the original amounts of each issue.

(E) No Additional Bonds shall be issued at any time unless all the payments into the respective funds provided for herein on Bonds then Outstanding and all other payments provided for herein shall have been made or paid up as required to the date of issuance of the Additional Bonds and the Town shall have fully complied with all the covenants, agreements and terms hereof or shall have remedied any deficiency in such compliance.

(F) With the written consent in advance of the Government, and anything to the contrary in subsections (A), (B) and (C) of this section notwithstanding, Additional Bonds may be authorized and issued by the Town pursuant to a supplemental ordinance in the event that the Original Bond should be insufficient, together with other funds lawfully available therefor, to pay or provide for all costs of construction of the Project. Any such Additional Bonds authorized and issued under the provisions of this subsection shall be limited to the aggregate principal amount required to make up any deficiency in funds for payment of such construction costs, and the maturities of any such Additional Bonds shall be in years and amounts suggested by the Government.

Section 7.09. Insurance and Bonds. The Town hereby covenants and agrees that, so long as the Bonds remain Outstanding, it will, as an expense of operation and maintenance of the System, procure, carry and maintain insurance with a

reputable insurance carrier or carriers covering the following risks and in the following amounts:

(A) Fire, Lightning, Vandalism, Malicious Mischief and Extended Coverage Insurance, to be procured prior to acceptance of any part of the Project from the contractor, on all above-ground insurable portions of the System, including machinery and equipment housed therein, in an amount equal to the insurable value thereof. In the event of any damage to or destruction of any portion of the System, the Town will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damaged or destroyed portion. The Town will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the Town during construction of the Project in the full insurable value thereof.

(B) Public Liability Insurance, with limits of not less than \$500,000 for personal liability to protect the Town from claims for bodily injury and/or death and not less than \$200,000 from claims for damage to property of others which may arise from the operation of the System, such insurance to be procured at the commencement of construction of the Project.

(C) Vehicular Public Liability Insurance, in the event the Town owns or operates any vehicle in the operation of the System, or in the event that any vehicle not owned by the Town is operated for the benefit of the Town, with limits of not less than \$500,000 for personal liability to protect the Town from claims for bodily injury and/or death and not less than \$200,000 from claims for damage to property of others which may arise from such operation of vehicles, such insurance to be procured prior to acquisition or commencement of operation of any such vehicle.

(D) Workers' Compensation Coverage for All Employees of the System 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 contractor dealing directly with the Town, and such payment bonds will be filed with the Clerk of The County Commission of Kanawha County prior to commencement of construction of the Project in compliance with the West Virginia Code, Chapter 38, Article 2, Section 39.

(E) Fidelity Bonds will be provided as to every officer and employee of the Town having custody of the Revenue Fund or of any other funds or valuable property of the System in an amount at least equal to the total funds in the custody of any such person at any one time, and initially in the amount required by the Government and to be increased thereafter as necessary to cover the maximum amount of funds under control of that position at any one time.

(F) Provided, however, and in lieu of and notwithstanding the foregoing provisions of this section, during construction of the Project and so long as the Government holds any of the Bonds, the Town will carry insurance and bonds or cause insurance and bonds to be carried for the protection of the Town, and during such construction will require each prime contractor to carry insurance, of such types and in such amounts as the Government may specify, with insurance carriers or bonding companies acceptable to the Government.

Section 7.10. Books and Records. The Town will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Town, 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 Ordinance shall have the right at all reasonable times to inspect the System and all parts thereof, and all records, accounts and data of the Town relating thereto.

The accounting system for the System shall follow generally accepted accounting practices to the extent allowed by the uniform system of accounts promulgated by the Public Service Commission of West Virginia. Separate control accounting records shall be maintained by the Town. Subsidiary records as may be required shall be kept in the manner, on the forms, books, and other bookkeeping records as prescribed by the Town. The Town 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 Town shall be reported to such agent of the Town as the Council of the Town shall direct.

The Town shall, at least once a year, cause the books, records and accounts of the System to be audited by an Independent Certified Public Accountant and shall mail the report of said Independent Certified Public Accountant to the Government and, upon request, to any other Holder or Holders of the Bonds. The Government, so long as it holds all the Bonds, may permit substitution of a copy of the annual audit report by the office of the State Tax Commissioner for the copy of an annual audit report by an Independent Certified Public Accountant.

The Town shall retain all records, books and supporting material for a period of three years after the issuance of such audit reports and financial statements, and such material, upon request, will be made available to the Government, the Controller General of the United States of America or their representatives.

Section 7.11. Fiscal Year; Budget. While the Original Bond is Outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained

on a fiscal year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than thirty days prior to the beginning of each Fiscal Year, the Town agrees to adopt the annual budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of such annual budget shall be made during such Fiscal Year unless unanimously authorized and directed by the Council. Copies of each annual budget shall be delivered to the Government by the beginning of each Fiscal Year.

If for any reason the Town shall not have adopted the annual budget before the first day of any Fiscal Year, it shall adopt a budget of current expenses from month to month until the adoption of the annual budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the year next preceding by more than ten percent (10%); and provided further, that adoption of a budget of current expenses shall not constitute compliance with the covenant to adopt an annual budget unless the Town's failure to submit an annual budget shall be for a reason beyond the control of the Town. Each such budget of current expenses shall be delivered and mailed immediately as in the case of the annual budget.

Section 7.12. Services Rendered to the Town. The Town will not render or cause to be rendered any free services of any nature by its System; and, in the event the Town or any department, agency, instrumentality, officer or employee of the Town shall avail himself 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 Town and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the Town shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. 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 7.13. Enforcement of Collections. The Town 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 laws of the State.

The Town 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 and facilities of the System for nonpayment of the fees, rentals or other charges for the services and facilities of the System, and will not restore such services until all delinquent charges for the services and facilities of all parts of the System, plus reasonable penalties and charges for the restoration of service, have been fully paid.

Section 7.14. No Competing Franchise. To the extent allowable by law, the Town will not grant or cause, consent to or allow the granting of any franchise or permit to any person, firm, corporation or body, or agency or instrumentality, for the providing of any services which would compete with services provided by the System.

Section 7.15. Consulting Engineer. The Town will retain recognized, qualified independent Consulting Engineers on an annual basis to supervise generally the operation, maintenance and renewal of the System, and to report annually to the Town in writing their recommendations and comments as to the System. Such annual report of the Consulting Engineers, or a summary thereof, shall be made available at reasonable times to the Government and to any Bondholder requesting the same.

Section 7.16. Covenant to Amend Ordinance. The Town retains the right to make any amendments, insertions or deletions by Supplemental Resolution to this Ordinance as the Town deems desirable or necessary prior to the issuance of the Bonds, including but not limited to amendments, insertions and deletions to comply with the Code. Notwithstanding the provisions of Section 10.01 hereof, the Town shall, without consent of the owners of any Bonds, amend or supplement this Ordinance by a resolution supplemental hereto or any amendatory Ordinance to comply with the Code if such amendment or supplement is necessary to preserve the tax-exempt status of the Bonds. The Council of the Town hereby retains the specific authority to amend this Ordinance or supplement it by resolution to comply with the Code. In its determination to amend or supplement this Ordinance, the Town may rely upon the opinion of a nationally recognized bond counsel.

Section 7.17. Public Purpose Bonds. The Town shall use the Original Bond proceeds solely for the Project as otherwise set forth herein, and the Project will be operated solely for the public purpose and as a local governmental activity of the Town.

Section 7.18. Private Activity Bond Covenant. The Town shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Town 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 Code by reason of the classification of the Bonds as "private activity bonds" within the meaning of the Code. The Town will take all actions necessary to comply with the Code in order to assure the tax-exempt status of the Bonds.

Section 7.19. Filing Covenant. The Town will file all statements, instruments and returns necessary to assure the tax-exempt status of the Bonds, including, without limitation, the information return required under Section 149(e) of the Code.

Section 7.20. Federal Guarantee Covenant. The Bonds, in whole or in part, are not and will not be, directly or indirectly, federally guaranteed within the meaning of Section 149(b) of the Code.

Section 7.21. Rebate Covenant. The Town is a governmental unit with general taxing powers to finance operations of or facilities of the nature of the Project and the System. As covenanted pursuant to Sections 7.17 and 7.18, the Original Bonds are not private activity bonds within the meaning of the Code, and 95% or more of the net proceeds (as defined with respect to the Code) of the Original Bonds will be used for local governmental activities of the Town. The Town reasonably expects it and all subordinate entities to issue less than \$5,000,000 in aggregate face amount of tax-exempt bonds (other than private activity bonds) during the calendar year, being 1987, in which the Original Bonds are to be issued. Therefore, the Town believes that it is excepted from the rebate requirements of Section 148(f) of the Code. Notwithstanding the foregoing, if the Town is, in fact, subject to such rebate requirement, the Town hereby covenants to rebate to the United States the amount required by the Code and to take all steps necessary to make such rebates. In the event the Town fails to make such rebates as required, the Town shall pay any and all penalties and obtain a waiver from the Internal Revenue Service in order to maintain the tax-exempt status of the interest on the Bonds.

ARTICLE VIII

DEFAULTS AND REMEDIES

Section 8.01. Events of Default. Each of the following events is hereby declared an "Event of Default":

(A) Failure to make payment of the principal of any of the Bonds either at the date therein specified for its payment or on the date fixed for redemption by proceedings for redemption, or otherwise;

(B) Failure to make payment of any installment of interest due on any of the Bonds on the date specified for the payment of such interest;

(C) Failure duly and punctually to observe or perform any of the covenants, conditions and agreements on the part of the Town contained in the Bonds, or in this Ordinance, or violation of or failure to observe any provision of any pertinent law, provided, that a default under any other agreement the Town has with the Government constitutes a default hereunder, and provided that any such failure or violation, excluding those covered in (A) and (B) above in this section, must continue for a period of thirty (30) days after written notice shall have been given to the Town by any Bondholder specifying such failure or violation and requiring the same to be remedied.

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

Section 8.02. Enforcement. Upon the happening of any Event of Default specified above, then, and in every such case, if the Government is the Holder of any of the Bonds outstanding, the Government, at its option, may:

(A) Declare the entire principal amount of the Bonds held by it then outstanding, and any interest accrued thereon, immediately due and payable;

(B) For the account of the Town, incur and pay reasonable expenses for repair, maintenance and operation of the System and such other reasonable expenses as may be necessary to cure the cause of default; or

(C) Take possession of the System and repair, maintain and operate such facilities.

Section 8.03. Remedies and Appointment of Receiver. Any Bondholder may, by proper legal action, compel the perfor-

mance of the duties of the Town under this Ordinance and the Act, including 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. Upon the happening of an Event of Default, any Bondholder 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 on behalf of the Town, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the Bonds and the interest thereon, the deposits into the funds and accounts hereby established as herein provided, and the payment of Operating Expenses of the System, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Ordinance and the Act.

The receiver so appointed shall forthwith, directly or by his 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 Town exercise all the rights and powers of the Town with respect to said facilities.

Whenever all that is due upon the Bonds issued pursuant to this Ordinance, and interest thereon, and under any covenants of this Ordinance for reserve, sinking or other funds, and upon any other obligations having a charge, lien or encumbrance upon the revenues of the System, and interest thereon, shall have been paid and made good, and all defaults under the provisions of this Ordinance shall have been cured and made good, possession of the System shall be surrendered to the Town upon the entry of an order of the court to that effect. Upon any subsequent Event of Default, any Holder of Bonds issued pursuant to this Ordinance 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, 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 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 Town and for the joint protection and benefit of the Town and Holders of Bonds issued pursuant to this Ordinance. Such receiver shall have no power

to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the Town and Bondholders, and the curing and making good of any default under the provisions of this Ordinance, and the title to and ownership of said System shall remain in the Town, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

ARTICLE IX

INVESTMENTS; NON-ARBITRAGE

Section 9.01. Investments. Any moneys held as a part of the funds and accounts created by this Ordinance, other than the Revenue Fund, shall be invested and reinvested by the Commission or the Depository Bank, as the case may be, at the direction of the Town in any Qualified Investments to the fullest extent possible under applicable laws, this Ordinance, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this section.

Except as provided below, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The 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 and investments in the "consolidated fund" of the West Virginia State Board of Investments shall be valued at par. The Town shall direct the Depository Bank to 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 may make any and all investments permitted by this section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or wilful misconduct.

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

A. Qualified Investments acquired for the Reserve Account shall have maturities or be subject to redemption at the option of the holder within five (5) years from the date of acquisition provided that all investment earnings on moneys in the Reserve Account shall be transferred, not less than once a year, to the Revenue Fund and applied in full to the next ensuing principal payment due on the Bonds.

B. Qualified Investments acquired for the Depreciation Fund shall have maturities or be subject to redemption at the option of the holder within ten (10) years from the date of acquisition.

C. Qualified Investments may be purchased for the Reserve Account or the Depreciation Fund either in the open market or from the Construction Trust Fund. If so purchased from the Construction Trust Fund, such Qualified Investments shall be purchased at a price equal to their original purchase price plus accrued interest.

Section 9.02. Restrictions as to Arbitrage Bonds.
The Town hereby covenants that it shall not permit at any time or times any of the proceeds of the Bonds, or any other funds of the Town to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in Section 148 of the Code, and the Mayor of the Town shall deliver his certificate, based upon this covenant, with regard thereto to the Original Bond Purchaser.

Section 9.03. Restriction of Yield on Bond Proceeds.
The Town shall comply with the yield restrictions on bond proceeds as set forth in Section 148 of the Code.

ARTICLE X

MISCELLANEOUS

Section 10.01. Modification or Amendment. No material modification or amendment of this Ordinance or of any ordinance or resolution amendatory hereof or supplemental hereto shall be made without the consent in writing of the Holders of two-thirds or more in principal amount of the Bonds then outstanding; provided, however, that no change shall be made in the maturity of any Bond or Bonds, or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Town to pay such principal of and interest on the Bonds as the same shall become due out of the Gross Revenues. Notwithstanding the above, no amendment or modification shall be made which would reduce the percentage of the principal amount of Bonds required for consent to the above permitted amendments or modifications, or for consent of 75% of the Holders of each series of Bonds outstanding to waiver or modification of the limitation upon issuance of Additional Bonds contained in Section 7.08.

Section 10.02. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Ordinance shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Ordinance.

Section 10.03. 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 10.04. Award and Delivery of Original Bond No. R-1. The Mayor and the Recorder of the Town are hereby authorized and directed to cause Bond No. R-1, representing all the Original Bond issue, hereby awarded to the Government pursuant to agreement, to be delivered to the Government as soon as the Government will accept such delivery and pay, from time to time, for Bond No. R-1.

Section 10.05. Repeal of Conflicting Ordinances. All ordinances, resolutions and orders, or parts thereof, in conflict with this Ordinance are to the extent of such conflict repealed; provided, however, that any loan resolution, or part thereof, adopted by the Town on Form FmHA 442-47 shall not be repealed hereby.

Section 10.06. Covenant of Due Procedure. The Town 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 final enactment and passage 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 Town Recorder and members of Council of the Town 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 10.07. Defeasance. If the Town shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Ordinance, then the respective pledges of Gross Revenues, and other moneys and securities pledged under this Ordinance, and all covenants, agreements and other obligations of the Town to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited irrevocably in trust with the Depository Bank at the same or earlier time, shall be sufficient, to pay as and when due the principal of and interest on such Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Bonds shall, prior to the maturity thereof be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited in trust with the Depository Bank either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited irrevocably in trust with the Depository Bank at the same time, shall be sufficient, to pay when due the principal of and interest due and to become due on said Bonds on and prior to the maturity dates or, if the Town irrevocably determines to redeem the Bonds prior to the maturity thereof, to the redemption date thereof. Neither securities nor moneys deposited irrevocably in trust with the Depository Bank pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on said Bonds; provided, that any cash received from such principal or interest payments on such securities deposited irrevocably in trust with the Depository Bank if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of and interest to become due on said Bonds on and prior to such maturity or redemption dates

thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Town, as received by said Depository Bank, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

Section 10.08. Effective Date. This Ordinance shall take effect after passage, public hearing and otherwise in accordance with the Act.

First Reading: 8-4-87

Second Reading
and Passage: 8-18-87

Public Hearing and
Effective Date: 9-1-87

TOWN OF EAST BANK, WEST VIRGINIA

By: Charles A. Blain
Mayor

ATTEST:

[SEAL]

James L. Byler
Recorder

This Ordinance approved as to form:

John L. Smithell
Town Solicitor

EXHIBIT A

PROJECT DESCRIPTION

The Project consists of the installation of approximately 690 feet of 10-inch PVC water pipe, 90 feet of 10-inch DIP water pipe, 720 feet of 8-inch PVC water pipe, 7,300 feet of 6-inch PVC water pipe, 134 feet of 6-inch DIP water pipe, along with various size gate valves, fire hydrants and connections to make improvements to the Town of East Bank's existing water distribution system and other improvements incidental thereto.

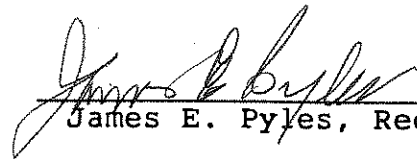
CERTIFICATE

I, the undersigned, Recorder of the Town of East Bank, Kanawha County, West Virginia, do hereby certify that the foregoing document is a true and accurate copy of the Bond and Line of Credit Ordinance duly adopted by the Council of the Town of East Bank at its regular meeting on August 18, 1987.

Dated this 18th day of August, 1987.

TOWN OF EAST BANK

By:


James E. Pyles, Recorder

(SEAL)

TOWN OF EAST BANK, WEST VIRGINIA

\$76,000 Town of East Bank
Waterworks Revenue Bond,
Series 1987

GENERAL CERTIFICATE

CERTIFICATE OF:

1. AWARD OF BOND
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. SIGNATURES
6. PUBLIC SERVICE COMMISSION ORDER
7. RATES
8. INCUMBENCY AND OFFICIAL NAME
9. LAND AND RIGHTS-OF-WAY
10. MEETINGS
11. INSURANCE
12. CUSTOMER CERTIFICATION
13. GRANT/PROJECT FINANCING
14. MANAGEMENT
15. DELIVERY, PAYMENT AND TERMS OF BOND

We, the undersigned MAYOR and the undersigned RECORDER of the Town of East Bank, State of West Virginia (herein called the "Town"), and the undersigned ATTORNEY for the Town, hereby certify in connection with the single, fully registered Town of East Bank Waterworks Revenue Bond, Series 1987, numbered R-1, dated the date hereof, in the principal amount of \$76,000 and bearing interest at the rate of five per centum (5%) per annum (herein called the "Bond"), as follows:

1. AWARD OF BOND: The entire issue of the Bond has been duly awarded to the United States Department of Agriculture, Farmers Home Administration, pursuant to a letter of commitment from said Administration and a Letter of Intent to Meet Conditions, dated July 28, 1987 executed by the Town.

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 Bond; nor questioning the proceedings and authority by which the Council of the Town authorized the issuance and sale of the Bond; nor affecting the

validity of the Bond or the collection and pledge of the gross revenues or any provisions made or authorized for the payment thereof; nor questioning the existence of the Town or the title of the members or officers of the Town or of the Council thereof to their respective offices; nor questioning the construction and acquisition of the extensions, additions, betterments and improvements to the existing waterworks system of the Town financed in part by the proceeds of sale of the Bond (herein called the "Project"), nor operation by the Town of such waterworks system as expanded by the Project (such waterworks system as so expanded, and any further extensions, additions, improvements or betterments thereto, herein collectively called the "System"). On September 4, 1987, the Circuit Court of Kanawha County entered an Order of Dismissal with respect to The Board of Education of the County of Kanawha v. Town of East Bank (CA-80-1546) and Board of Education of the County of Kanawha v. Town of East Bank Sanitary Board (CA-80-2356).

3. GOVERNMENTAL APPROVALS: All applicable approvals and certificates required by law for construction of the Project and operation of the System have been duly and timely obtained and remain in full force and effect.

4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the Town or the System since the approval by said Farmers Home Administration of a loan to assist in acquisition and construction of the Project. Further, there has been no adverse change in the status of any grant necessary to finance the acquisition and construction of the Project. The Circuit Court of Kanawha County entered on September 4, 1987, an Order of Dismissal with respect to The Board of Education of the County of Kanawha v. Town of East Bank (CA-80-1546) and Board of Education of the County of Kanawha v. Town of East Bank Sanitary Board (CA-80-2356) as required by Paragraph 2 of the Farmers Home Administration Letter of Conditions.

The Town does not have, authorized or outstanding, any indebtedness having priority over or being on a parity with the Bond as to lien or source of or security for payment. The Town's Water Revenue Bond dated March 1, 1952 (the "Prior Bond") originally issued in the aggregate principal amount of \$58,000 were fully paid on March 1, 1986. As a result of the payment, the holders of the Prior Bond have no lien on the gross revenues of the System.

5. SIGNATURES: The undersigned Mayor and Recorder are the duly elected, qualified and serving officers of the Town as indicated by the official titles opposite their signatures below, and were duly authorized to execute and seal the Bond for the Town. The seal impressed upon the Bond and this certificate is the duly authorized, proper and only seal of the Town.

6. PUBLIC SERVICE COMMISSION ORDER: The undersigned Attorney hereby certifies that he has filed any information with the Public Service Commission of West Virginia (the "Public Service Commission") and taken any other actions required to maintain the Public Service Commission order, dated the 24th day of June, 1987, and modified by order dated July 30, 1987, in full force and effect. The appeal period from said orders has expired without successful appeal.

7. RATES: The rates enacted by ordinance on September 30, 1986, will become effective upon completion of the Project, and the Town has complied with all requirements of the Public Service Commission and State law to make the rates valid and effective.

8. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Town is "Town of East Bank," and it is a municipal corporation of the State of West Virginia in Kanawha County of said State. The governing body of the Town is its Council, consisting of five members and a Mayor and a Recorder, whose names and dates of commencement and termination of terms of office for all members during these Bond proceedings are as follows:

<u>Name</u>		<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
Mayor	Charles A. Blair II	7/1/87	6/30/89
Recorder	James E. Pyles	7/1/87	6/30/89
Council Member	Donald F. Taylor II	7/21/87	6/30/89
Council Member	Lucille Roush	7/1/87	6/30/89
Council Member	Caroline Cummings	7/1/87	6/30/89
Council Member	Clarence Shawver	7/1/87	6/30/89
Council Member	Leslie R. Tyler	7/1/87	6/30/89

John Mitchell is the duly appointed and acting attorney for the Town.

9. LAND AND RIGHTS-OF-WAY: All land in fee simple and all rights-of-way and easements necessary for the construction of the Project and 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 Town and are adequate for such purposes and are not or will not be subject to any liens, encumbrances, reservations or exceptions that

would adversely affect or interfere in any way with the use thereof for such purposes. The costs thereof, including costs of any properties that may have to be acquired by condemnation are, in the opinion of all the undersigned, within the ability of the Town to pay for the same without jeopardizing the security of or payments on the Bond.

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

11. INSURANCE: The Town has maintained and will, or, as appropriate, has required and will require all contractors to, maintain Worker's Compensation, public liability and property damage insurance, and builder's risk insurance where applicable in accordance with the letters of conditions and commitment of Farmers Home Administration and the ordinance passed by the Council of the Town on the 18th day of August, 1987, authorizing the issuance of the Bond (herein called the "Bond Ordinance").

12. CUSTOMER CERTIFICATION: It is hereby certified that as of this date there are not less than 440 bona fide users of the System.

13. GRANTS AND PROJECT FINANCING: As of the date hereof, the Appalachian Regional Commission ("ARC") has committed to the Town the approximate sum of \$155,000. Said commitment is as of this date still in force and effect. As of the date hereof, the Town has deposited \$34,159, its local contribution, in the Construction Trust Fund at The Merchants National Bank, Montgomery, West Virginia.

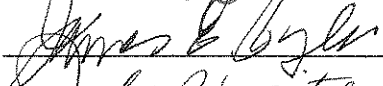
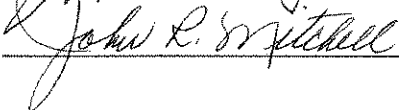
14. MANAGEMENT: The Town has heretofore delivered to said Farmers Home Administration, as the original purchaser of the Bond, a plan concerning operation and management of the System, which plan was found to be acceptable by such original purchaser.

15. DELIVERY, PAYMENT AND TERMS OF BOND: On the date hereof, Bond Number R-1 was delivered to said Farmers Home Administration in Charleston, West Virginia, by the undersigned Mayor. At the time of such delivery, Bond Number R-1 had been duly and fully executed and sealed on behalf of the Town in accordance with the Bond Ordinance.

Bond Number R-1 is dated on the date hereof, and interest thereon at the rate of five per centum (5%) per annum upon only the amounts advanced under the Bond is payable from such date. The Bond shall be subject to prepayment of scheduled installments, or any portion thereof, at the option of the Town, and shall be payable as to both principal and interest as provided in the Bond.

WITNESS our signatures and the official corporate seal of the Town of East Bank on this 9th day of September, 1987.

[CORPORATE SEAL]

<u>Signature</u>	<u>Official Title</u>
	Mayor
	Recorder
	Attorney

TOWN OF EAST BANK, WEST VIRGINIA

\$76,00 Town of East Bank
Waterworks Revenue Bond,
Series 1987

CERTIFICATE OF RECORDER AS TO TRUTH
AND ACCURACY OF DOCUMENTS DELIVERED

I, the undersigned James E. Pyles, Recorder of the Town of East Bank, West Virginia, hereby certify that the copies of the following documents being delivered in connection with the closing of the sale of \$76,000 in principal amount of the Town of East Bank Waterworks Revenue Bond, Series 1987 (the "Bond") are, as of the date hereof, true and accurate copies of the originals of those documents maintained on file with the Town of East Bank, that said documents have been duly adopted, enacted or entered by the Council of said Town, and that said documents are still in full force and effect as of the date hereof and have not been repealed, rescinded, superseded, amended or modified in any way unless the document effecting such repeal, rescission, supersedure, amendment or modification is also listed below:

1. Charter of the Town of East Bank, West Virginia
2. Oaths of Office, dated June 29, 1987, of the following officials: Charles A. Blair II, Mayor; James E. Pyles, Recorder; Lucille Roush, Caroline Cummings, Clarence Shawver and Leslie R. Tyler, Council Members; an Oath of Office, dated July 21, 1987 of Donald F. Taylor II.
3. Letter of Intent to Meet Conditions, dated July 28, 1987.
4. Minutes of the September 2, 1986, meeting of the Council of the Town of East Bank, wherein the rate ordinance was introduced.
5. Minutes of the September 30, 1986, meeting of the Council of the Town of East Bank, wherein the rate ordinance was passed.
6. Minutes of the August 4, 1987, meeting of the Council of the Town of East Bank, wherein the bond and line of credit ordinance (the "Bond Ordinance") was introduced.
7. Minutes of the August 18, 1987, meeting of the Council of the Town of East Bank, wherein the Bond Ordinance

and a resolution authorizing publication of an abstract of the Bond Ordinance were adopted.

8. The resolution authorizing publication of an abstract of the Bond Ordinance.

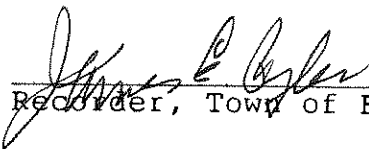
9. The Bond Ordinance.

10. Minutes of the September 1, 1987, meeting of the Council of the Town of East Bank, wherein a public hearing was held on the Bond Ordinance, wherein the resolution putting the bond ordinance into effect was adopted and wherein the resolution awarding the bond was adopted.

11. The resolution putting the Bond Ordinance into effect.

12. Resolution Awarding the Town of East Bank Waterworks Revenue Bond, Series 1987 in the Principal Amount of \$76,000 (the "Supplemental Resolution").

WITNESS my signature and the official seal of the Town of East Bank, West Virginia, as of the 9th day of September, 1987.


Recorder, Town of East Bank

(SEAL)

TOWN OF EAST BANK, WEST VIRGINIA

\$76,000 Town of East Bank
Waterworks Revenue Bond,
Series 1987

ACCOUNTANT'S CERTIFICATE

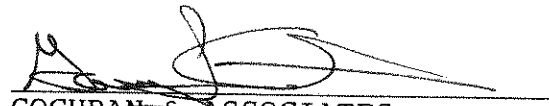
The undersigned, on behalf of Cochran & Associates, hereby certifies the following:

(a) The accounts and records of the Town of East Bank, West Virginia have been established and are operational in accordance with the Letter of Conditions dated May 14, 1985 issued by the United State Department of Agriculture, Farmers Home Administration.

(b) Based on the rates and charges as set forth in the Rate Ordinance enacted September 30, 1986, and approved in the Order of the Public Service Commission of West Virginia (Case No. 86-585-W-CN) entered June 27, 1987, and projected operation and maintenance expenses and anticipated customer usage as furnished to us by Appalachian Engineers, Inc., Consulting Engineers, it is our opinion that such rates and charges will be sufficient to provide for all reasonable operating expenses, Depreciation Fund deposits and to leave a balance each year equal to at least 110% of the average annual debt service on the Waterworks Revenue Bond, Series 1987.

WITNESS my signature on the 9th day of September, 1987.

By:


COCHRAN & ASSOCIATES

TOWN OF EAST BANK, WEST VIRGINIA

\$76,000 Town of East Bank
Waterworks Revenue Bond, Series 1987

ENGINEER'S CERTIFICATE

I, John R. Hart, Registered Professional Engineer, West Virginia License No. 7069, of Appalachian Engineers, Inc., Consulting Engineers, Dunbar, West Virginia, hereby certify that my firm is engineer for the construction and acquisition of the extensions, additions, betterments and improvements to the water distribution system (herein called the "Project") of the Town of East Bank (the "Town") to be constructed chiefly within the boundaries of the Town, which construction and acquisition are being financed in part by the above-captioned bonds of the Town of East Bank.

The Project is estimated to cost \$265,159 and is being funded by an Appalachian Regional Commission Grant in the amount of \$155,000, (the "ARC Grant"), a Town contribution of \$34,159 and a \$76,000 Loan from the United States Department of Agriculture, Farmers Home Administration (the "FmHA Loan").

I further certify that all requirements of the FmHA Letter of Conditions, as amended, have been reviewed and that the Town has complied or will be in compliance with all requirements thereof consistent with the Project's funding schedule.

I further certify that we have examined and reviewed all plans, specifications, bid documents and construction contracts relating to the Project, and that all contractors have made the required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified for accuracy and completeness.

I further certify that the construction and funding for the Project should proceed to a successful conclusion within the time schedules proposed and the construction period is estimated at 150 days. To the best of my knowledge (i) the Project will be constructed in accordance with plans and specifications prepared by my firm and is situate wholly or chiefly within the boundaries of the Town; (ii) the Project is adequate for the purpose for which it was designed and all necessary governmental approvals and permits for the construction thereof have been obtained; (iii) I have examined and reviewed all plans, specifications, bid documents and construction contracts relating to the Project and have ascertained that all contractors have made required provisions

for all insurance, and payment and performance bonds and that such insurance policies or binders and such bonds have been verified for accuracy and completeness; (iv) the construction and funding for the Project should proceed to a successful conclusion within the time schedules proposed; and (v) adequate funding is available to complete the Project in accordance with the plans and specifications.

WITNESS my signature on this 9TH day of September, 1987.

John F. Hart, P.E.
APPALACHIAN ENGINEERS, INC.

TOWN OF EAST BANK, WEST VIRGINIA

\$76,000 Town of East Bank
Waterworks Revenue Bond,
Series 1987

ACCEPTANCE OF DUTIES OF DEPOSITORY BANK
FOR REVENUE FUND AND DEPRECIATION ACCOUNT

The National Bank of Commerce of Belle, a national banking association with its principal office in Belle, West Virginia, hereby accepts appointment as Depository Bank in connection with Article IV of a Bond and Line of Credit Ordinance of the Town of East Bank passed August 18, 1987, and the Supplemental Resolution adopted September 1, 1987 (collectively, the "Ordinance") authorizing issuance of the Town of East Bank Waterworks Revenue Bond, Series 1987, dated September 9, 1987, in the aggregate principal amount of \$76,000 (the "Bond") and agrees to perform all duties of Depository Bank in connection with the Revenue Fund and the Depreciation Account, all as set forth in said Ordinance.

Witness my signature as of the 9th day of September, 1987.

THE NATIONAL BANK OF COMMERCE OF BELLE

By Gregory D. Mass
Vice President

TOWN OF EAST BANK, WEST VIRGINIA

\$76,000 Town of East Bank
Waterworks Revenue Bond, Series 1987

ACCEPTANCE OF DUTIES OF DEPOSITORY BANK
FOR CONSTRUCTION TRUST FUND

The Merchants National Bank, a national banking association with its principal office in Montgomery, West Virginia, hereby accepts appointment as Depository Bank in connection with Article V of a bond and line of credit ordinance of the Town of East Bank passed August 18, 1987 and the supplemental resolution adopted September 1, 1987 (collectively, the "Ordinance") authorizing issuance of the Town of East Bank Waterworks Revenue Bond, Series 1987, dated September 9, 1987 in an aggregate principal amount of \$76,000 (the "Bond") and agrees to perform all duties of Depository Bank in connection with the Construction Trust Fund, all as set forth in said Ordinance.

WITNESS my signature as of this 9th day of September, 1987.

THE MERCHANTS NATIONAL BANK

By L B Mullers
Vice President

TOWN OF EAST BANK, WEST VIRGINIA

\$76,000 Town of East Bank
Waterworks Revenue Bond,
Series 1987

ACCEPTANCE OF DUTIES OF REGISTRAR

The National Bank of Commerce of Belle, (formerly The National Bank of Belle), a national banking association with its principal office in Belle, West Virginia, hereby accepts appointment as Registrar in connection with an Ordinance of the Town of East Bank passed August 18, 1987, and the Supplemental Resolution adopted September 1, 1987 (collectively, the "Ordinance") authorizing issuance of the Town of East Bank Waterworks Revenue Bond, Series 1987, dated September 9, 1987, in the aggregate principal amount of \$76,000 (the "Bond") and agrees to perform all duties of Registrar in connection with such Bond, all as set forth in said Ordinance.

Witness my signature as of the 9th day of September,
1987.

THE NATIONAL BANK OF COMMERCE
OF BELLE

By: Gregory D. Mass
Vice President

TOWN OF EAST BANK, WEST VIRGINIA

\$76,000 Town of East Bank
Waterworks Revenue Bond,
Series 1987

NON-ARBITRAGE CERTIFICATE

I, Charles A. Blair II, Mayor of the Town of East Bank, West Virginia (herein called the "Town"), hereby certify and reasonably expect with respect to the issuance of the \$76,000 Town of East Bank Waterworks Revenue Bond, Series 1987 dated the date hereof (herein called the "Bond"), as follows:

1. The original proceeds of the Bond, being \$76,000, will be used as follows: (1) \$75,000 for the permanent financing of the cost of the acquisition and construction of extensions, additions, betterments and improvements to the Town's existing waterworks system (the "Project"); and (2) \$1,000 for expenses incurred in connection with the issuance of the Bond.

2. The Town will secure the payment of its Bond by creating over a period of approximately ten years a reserve fund that shall equal the maximum amount of principal and interest becoming due on the Bond in any year (herein called the "Reserve Account").

3. Except for the aforesaid Reserve Account and the Sinking Fund established pursuant to the Bond Ordinance, the Town has not created or established, nor does it expect to create or establish, any other sinking fund or similar fund. The Town has created a Depreciation Account under the Bond Ordinance, the funds in which may be used in emergency situations to pay debt service. The Depreciation Account funds are expected to be used for replacement, emergency repairs, additions, betterments and improvements to the system and the Town has no assurance that these funds will be available if needed for debt service.

The Town will make monthly payments of interest for the first two years following issuance of the Bond and monthly payments of principal and interest thereafter. The deposits to the Sinking Fund constitute actual payments of principal and interest. Therefore, the Town does not expect any funds to be held in the Sinking Fund.

4. The Town will as of the date hereof enter binding obligations for construction of the Project and work on the Project will proceed with due diligence to completion. The construction period for the Project is approximately 150 days. All of the proceeds of the Bond will be expended within three years of the date of issuance.

5. Any money deposited in the Sinking Fund, other than in the Reserve Account therein, will be spent within a thirteen month period beginning on the date of receipt, and any money received from the investment of the amounts held in the Sinking Fund, other than in the Reserve Account therein, will be spent with a one-year period beginning on the date of receipt. Since the deposits to the Sinking Fund constitute actual payment to the owner of the Bond, all funds in the Sinking Fund will be spent within thirty (30) days of receipt.

6. The Project will not be sold or otherwise disposed of in whole or in part before the maturity of the Bond.

7. The Town will be advanced funds as needed under the Bond. The sum of \$5,000 will be advanced on the date of issuance of the Bond. The remaining \$71,000 will be deposited, as advanced, in the Construction Trust Fund and used for permanent payment of the cost of acquisition and construction of the Project. Pending such use, the moneys, if any, in the Construction Trust Fund will be invested without restriction as to yield.

8. The Town has not been notified by the Internal Revenue Service of any listing or proposed listing of it as an issuer, the certification of which may not be relied upon by the holder of obligations of the Town or that there is any disqualification of the Town by the Internal Revenue Service because a certification made by the Town contains a material misrepresentation.

9. The Town has covenanted in the Bond Ordinance to make no use of the proceeds of the Bond which would cause the Bond to be an "arbitrage bond" within the meaning of Section 148 of the Internal Revenue Code of 1986, as hereafter amended, and the regulations promulgated thereunder (the "Code").

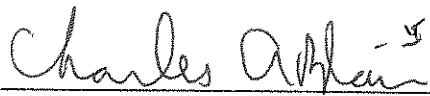
10. The Bond was sold on September 9, 1987, to the United States Department of Agriculture, Farmers Home Administration. The Farmers Home Administration will advance the \$76,000 to the Town as needed and the amount outstanding under the Bond will be only the amount advanced. No accrued interest is payable on the Bond.

11. The Town has general taxing powers to finance operations of or facilities of the nature of the system, and the Town and all subordinate entities reasonably expect to issue less than \$5,000,000 of tax-exempt bonds during the calendar year 1987, being the calendar year in which the Bond is being issued. The Town has issued no other tax-exempt bonds during the calendar year except for the notes evidencing indebtedness up to \$76,000 under a line of credit agreement to temporarily finance the cost of acquisition and construction of the Project pending receipt of the Bond proceeds.

12. The original proceeds of the Bond will not exceed the amount necessary for the purposes of the issue by more than 5%.

This certification has been delivered pursuant to Section 148 of the Code as part of the record of proceedings and accompanying certificates with respect to the Bond. I am one of the officers of the Town charged by the Town in the Bond Ordinance with responsibility for issuance of the Bond, and, as such, I am an official referred to in Section 148 whose certification may be relied upon as the certification of the Town.

IN WITNESS WHEREOF, I have hereunto set my hand as of this 9th day of September, 1987.



Mayor, Town of East Bank

JACKSON, KELLY, HOLT & O'FARRELL

(IN KENTUCKY: JACKSON, KELLY, WILLIAMS & PALMORE)

ATTORNEYS AT LAW

1600 LAIDLEY TOWER

P. O. BOX 553

CHARLESTON, WEST VIRGINIA 25322

TELEPHONE 304-340-1000

TELECOPIER 304-340-1130

WRITER'S DIRECT DIAL NO.

MORGANTOWN OFFICE
618 MONONGAHELA BUILDING
MORGANTOWN, WEST VIRGINIA 26505
TELEPHONE 304-292-7311

LOUISVILLE OFFICE
600 MEIDINGER TOWER
LOUISVILLE, KENTUCKY 40202
TELEPHONE 502-589-6800

LEXINGTON OFFICE
175 EAST MAIN STREET
LEXINGTON, KENTUCKY 40507
TELEPHONE 606-255-9500

FRANKFORT OFFICE
202 WEST MAIN STREET
FRANKFORT, KENTUCKY 40601
TELEPHONE 502-227-4000

September 9, 1987

United States Department
of Agriculture
Farmers Home Administration
Morris Street
Charleston, West Virginia 25301

Town Council
Town of East Bank
East Bank, West Virginia 25067

Re: \$76,000 Town of East Bank
Waterworks Revenue Bond,
Series 1987

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issue of the Waterworks Revenue Bond of the Town of East Bank, West Virginia (the "Town"), dated the 9th day of September, 1987, numbered R-1, in the principal amount of \$76,000, and bearing interest from the date of delivery at the rate of five per centum (5%) per annum (the "Bond").

The Bond is issued pursuant to Chapter 8, Article 19 of the Code of West Virginia, 1931, as amended (the "Act"), and has been authorized by an ordinance duly passed by the Council of the Town on the 18th day of August, 1987, and supplemented on the 1st day of September, 1987 (the "Bond Ordinance").

Interest only on the Bond is payable in monthly installments for the first two years commencing on the first day of the month after the date of the Bond, and thereafter monthly installments of interest and principal are payable in the aggregate sum of \$374.00 for each installment, the final payment forty years after the date of the Bond to be in the sum of the unpaid principal and interest thereon to the date of such payment. Principal installments upon the Bond are subject to payment in advance, as provided therein and in the Bond Ordinance. The Bond is issued in single, fully registered form and is numbered R-1.

JACKSON, KELLY, HOLT & O'FARRELL

Town Council
September 9, 1987
Page 4

We have examined executed and authenticated Bond No. R-1, and, in our opinion, the form of said Bond and its execution and authentication are regular and proper.

Very truly yours,

Jackson, Kelly, Holt & O'Farrell

JACKSON, KELLY, HOLT & O'FARRELL

(IN KENTUCKY, JACKSON, KELLY, WILLIAMS & PALMORE)

ATTORNEYS AT LAW

1600 LAIDLEY TOWER

P. O. BOX 553

CHARLESTON, WEST VIRGINIA 25322

TELEPHONE 304-340-1000

TELECOPIER 304-340-1130

WRITER'S DIRECT DIAL NO.

MORGANTOWN OFFICE
518 MONONGAHELA BUILDING
MORGANTOWN, WEST VIRGINIA 26505
TELEPHONE 304-292-7311

LOUISVILLE OFFICE
600 MEIDINGER TOWER
LOUISVILLE, KENTUCKY 40202
TELEPHONE 502-588-6600

LEXINGTON OFFICE
175 EAST MAIN STREET
LEXINGTON, KENTUCKY 40507
TELEPHONE 606-255-9500

FRANKFORT OFFICE
202 WEST MAIN STREET
FRANKFORT, KENTUCKY 40601
TELEPHONE 502-227-4000

September 9, 1987

Town Council
Town of East Bank
East Bank, West Virginia 25067

Re: \$76,000 Town of East Bank Waterworks
Revenue Bond, Series 1987

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of the Town of East Bank Waterworks Revenue Bond, Series 1987 (the "Bond"), in the principal amount of \$76,000, of the Town of East Bank, West Virginia (the "Town"), a municipal corporation organized and existing under the laws of the State of West Virginia and a Non-Arbitrage Certificate executed by Charles A. Blair, II, Mayor of the Town on this date. In the Non-Arbitrage Certificate, the Town represented that the (i) the Town has general taxing power to finance operations of or facilities of the nature of the Project; (ii) the Town and all subordinate entities reasonably expect to issue less than \$5,000,000 in tax exempt bonds during the calendar year 1987, being the calendar year in which the Bond was issued; and (iii) the Town has issued no other tax exempt bonds during the calendar year except for the note evidencing indebtedness up to \$76,000 under a line of credit agreement to temporarily finance the cost of acquisition and construction of the Project pending receipt of the Bond proceeds.

Based upon such Non-Arbitrage Certificates, we are of the opinion that the facts, estimates and circumstances set forth in the Non-Arbitrage Certificate are sufficient to satisfy the requirements of Section 148 of the Internal Revenue Code of 1986 (the "Code") and to support the conclusion that the bonds are not "arbitrage bonds" as defined therein. No matters have come to our attention which make unreasonable or incorrect such statements, expectations or representations.

JACKSON, KELLY, HOLT & O'FARRELL

Town Council
September 9, 1987
Page 2

Accordingly, it is our opinion that, under existing statutes, regulations and court decisions, the Bond is not an "arbitrage bond" as so defined. It is our further opinion, based upon such Non-Arbitrage Certificate that the proceeds of the Bond are not subject to the arbitrage rebate requirement as set forth in Section 148(f) of the Code. We express no opinion herein as to the taxability of the interest on the Bond in the event of the failure to comply with the other requirements and restrictions of Section 148 of the Code, and any regulations promulgated thereunder.

Very truly yours,

Jackson, Kelly, Holt & O'Farrell

LAW OFFICES
JOHN R. MITCHELL

JOHN R. MITCHELL

September 9, 1987

605 VIRGINIA STREET EAST
P. O. BOX 353
CHARLESTON, WEST VIRGINIA 25322
TELEPHONE (304)
346-0307

United States Department of Agriculture,
Farmers Home Administration
603 Morris Street
Charleston, West Virginia 25301

Jackson, Kelly, Holt & O Farrell
P. O. Box 553
Charleston, West Virginia 25322

COPY

RE: Town of East Bank, West Virginia
\$76,000.00 Waterworks Revenue Bond
Series 1987

Ladies & Gentlemen:

I am Counsel to the Town of East Bank, West Virginia (the "Issuer"). As such counsel, I have examined copies of the approving opinions of Jackson, Kelly, Holt & O Farrell, as bond counsel, relating to the above-captioned bonds, and accepted by the Issuer, dated September 9, 1987, a Bond and Line of Credit Ordinance enacted by the Issuer on August 18, 1987, as supplemented by a Supplemental Resolution adopted September 1, 1987 (collectively, the "Ordinance") and other documents relating to the above-captioned Bonds of the Issuer. Terms used in said opinions and Ordinance and not otherwise defined herein have the same meanings herein.

I am of the opinion that:

1. The Mayor, Recorder and members of the Council were duly and properly elected or appointed and are thereby authorized to act on behalf of the Issuer.
2. The Ordinance has been duly enacted by the Issuer and is in full force and effect.
3. The Issuer has received a Certificate of Convenience and Necessity from the Public Service Commission of West Virginia and said certificate is in full force and effect and the time for appeal therefrom has expired without successful appeal.
4. The Issuer has enacted a Rate Ordinance dated September 30, 1986, whereby the rates charged to the users of the City's water system were increased so as to meet the debt

service on the Bonds as well as the operation and maintenance costs. Under the terms of the Act, the Town has full authority to establish rates and to pledge the gross revenues from said rates to the payment of the Bonds.

5. The Issuer has received all the necessary permits, licenses, approvals and authorizations that are presently obtainable to construct the Project.

6. In order to construct this Project, all right of ways have been obtained except two (2) and right of entry has been obtained as a result of filing a condemnation suit in the Circuit Court of Kanawha County, West Virginia. (A certified copy of the Court order granting right of entry is attached hereto.)

7. The Town of East Bank has previously been sued by the Board of Education of the County of Kanawha, however, this matter has been settled and certified true copies of the dismissal order and copies of the releases are attached hereto.

8. 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 council or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by or the validity of the Bond or the collection or pledge of the gross revenues.

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

Very truly yours,


John R. Mitchell

JRM/cas

Enclosures

R-1

TOWN OF EAST BANK, WEST VIRGINIA
WATERWORKS REVENUE BOND SERIES 1987

\$76,000

Date: September 9, 1987

FOR VALUE RECEIVED, the TOWN OF EAST BANK, WEST VIRGINIA (herein called the "Borrower"), promises to pay to the order of the United States of America, United States Department of Agriculture, Farmers Home Administration (herein called the "Government"), at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing and in the manner provided below, the principal sum of Seventy-Six Thousand Dollars (\$76,000), plus interest on the unpaid principal balance at the rate of five per centum (5%) per annum.

The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only on the amounts advanced hereunder, commencing the first day of the month following the month of delivery of this Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and installments of \$374, 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 herein below. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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. Extra payments, as defined in the regulations of the Farmers Home Administration, 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.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect 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. The Borrower has granted to the Government a lien on the proceeds of the Bond until such proceeds are expended for authorized purposes.

This Bond is issued to permanently finance a portion of the cost of construction and acquisition of certain extensions, additions, betterments and improvements to the Town's waterworks system (the "Project") (the Project, together with the existing waterworks system of the Town and any further extensions, additions, betterments and improvements thereto, herein called the "System") under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Article 19 of Chapter 8 of the Code of West Virginia, 1931, as amended, and an ordinance duly passed by the Town Council of the Town of East Bank on the 18th day of August, 1987, as supplemented by a resolution duly adopted by said Town Council on the 1st day of September, 1987 (herein collectively called the "Ordinance"), and is subject to all the terms and conditions of said Ordinance. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for this Bond under the Ordinance.

This Bond is payable only from and secured by the revenues to be derived from the operation of the System of the Borrower, which Gross Revenues shall be sufficient to pay the costs of operating and maintaining the System and principal of, and interest on, all bonds which may be issued for the construction, acquisition, improvement, extension or betterment of such System as and when the same become due and payable, and which shall be set aside and remitted to the Government as provided herein and in the Ordinance. This Bond does not constitute an indebtedness of the Town of East Bank within the meaning of any constitutional or statutory provisions or limitations, nor shall the Borrower be obligated to pay the same or the interest hereon except from the Gross Revenues as defined in the Ordinance, derived from the operation of said System. The Borrower in said Ordinance has covenanted and agreed that the schedule of rates or charges from time to time in effect shall be sufficient to provide for all reasonable operating expenses of the System and to leave a balance each year equal to at least 110% of the average annual debt service on this Bond and any other bonds on a parity with this Bond then outstanding and of the average annual debt service of any other obligations payable from the revenues of the System of the Borrower. Said Borrower has entered into certain further covenants with the owner of this Bond for the terms of which reference is made to said Ordinance. Remedies provided the owner of this Bond are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

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.

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.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this

Bond, together with all other obligations of said Town, 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 of said Town have been pledged to and will be set aside into said special fund by said Town for the prompt payment of the principal of and interest on this Bond.

This Bond is given as evidence of a loan to Borrower made or insured by the Government pursuant to the Rural Development Act of 1972. This Bond shall be subject to the present regulations of the Government and to its future regulations not inconsistent with the express provisions hereof.

IN WITNESS WHEREOF, the said Town of East Bank has caused this Bond to be signed by its Mayor, attested by its Recorder and its corporate seal to be impressed hereon, all as of the date first written above.

TOWN OF EAST BANK

(Name of Borrower)

"SPECIMEN"

(Signature of Executive Official)

Mayor

(Title of Executive Official)

P. O. Box 307

(Post Office Box No. or Street Address)

East Bank, West Virginia 25067
(City, State and Zip Code)

[CORPORATE SEAL]

ATTEST:

(Signature of Attesting Official)

Recorder

(Title of Attesting Official)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is the Bond described in the within-mentioned Ordinance and has been duly registered as of the date set forth below in the name of the United States of America, United States Department of Agriculture, Farmers Home Administration.

THE NATIONAL BANK OF COMMERCE
OF BELLE,
Registrar

By:

"SPECIMEN"

Its Authorized Officer

Dated: _____

RECORD OF ADVANCES

Date	Amount	Initialed By
(1)	\$	
(2)	\$	
(3)	\$	
(4)	\$	
(5)	\$	
(6)	\$	
(7)	\$	
(8)	\$	
(9)	\$	
(10)	\$	

TOTAL: \$

Pay to the Order of

UNITED STATES OF AMERICA
UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

By: _____

(Title)

R-1

RECORD OF PAYMENTS

Date	Amount	Initialed By
(1)	\$	
(2)	\$	
(3)	\$	
(4)	\$	
(5)	\$	
(6)	\$	
(7)	\$	
(8)	\$	
(9)	\$	
(10)	\$	

TOTAL: \$ _____

UNITED STATES OF AMERICA
UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

By: _____

(Title)