TOWN OF MOOREFIELD, WEST VIRGINIA

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, Series 2007 A (TAX-EXEMPT)

BOND ORDINANCE

Table of Contents

RECITALS

ARTICLE I
DEFINITIONS; STATUTORY AUTHORITY; FINDINGS

Section 1.01	Definitions	3
Section 1.02	Authority for this Ordinance	10
Section 1.03	Findings	10
Section 1.04	Ordinance Constitutes Contract	14

ARTICLE II
AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF PROJECT

Section 2.01	Authorization of Acquisition and Construction of the Project	15

ARTICLE III
THE SERIES 2006 B BONDS

Section 3.01	Form and Payment of Bonds	16
Section 3.02	Execution of Bonds	16
Section 3.03	Authentication and Registration	17
Section 3.04	Negotiability and Registration	17
Section 3.05	Bonds Mutilated, Destroyed, Stolen or Lost	18
Section 3.06	Term Bonds	18
Section 3.07	Notice of Redemption	20
Section 3.08	Persons Treated as Owners	21
Section 3.09	Temporary Bonds	21

Section 3.10	Series 2007 A Bonds	21
Section 3.11	Book Entry System for Series 2007 A Bonds	22
Section 3.12	[Reserved]	23
Section 3.13	Delivery of Series 2007 A Bonds	24
Section 3.14	form of Series 2007 A Bonds	24
Section 3.15	Disposition of Proceeds of Series 2007 A Bonds	24
Section 3.16	Disbursements from the Construction Fund	25

ARTICLE IV
SYSTEM REVENUES; FUNDS AND ACCOUNTS

Section 4.01	Establishment of Funds and Accounts with Depository Bank	26
Section 4.02	Establishment of Funds and Accounts with Bond Commission	26
Section 4.03	System Revenues and Application Thereof	26

ARTICLE V
INVESTMENTS; NON-ARBITRAGE;
REBATES OF EXCESS INVESTMENT EARNINGS

Section 5.01	Investments	30
Section 5.02	Arbitrage	31
Section 5.03	Tax Certificate and Rebate	31
Section 5.04	Continuing Disclosure Agreement	32

ARTICLE VI
ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01	Covenants Binding and Irrevocable	33
Section 6.02	Bonds not to be Indebtedness of the Issuer	33
Section 6.03	Bonds Secured by Pledge of Gross Revenues and Monies33 in Sinking Fund	33
Section 6.04	Rates	33
Section 6.05	Completion of Project; Operation and Maintenance	34
Section 6.06	Sale of the System	34
Section 6.07	Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances	35
Section 6.08	Additional Parity Bonds	35
Section 6.09	Insurance and Bonds	38
Section 6.10	Services Rendered to the Issuer	39
Section 6.11	Enforcement of Collections	40

Section 6.12	No Competing Franchise	40
Section 6.13	Books and Records	40
Section 6.14	Operating Budget	41
Section 6.15	Statutory Mortgage Lien	42
Section 6.16	Tax Covenants	42
Section 6.17	Designation of Series 2006 A Bonds as "Qualified Tax-Exempt Obligations"	43

ARTICLE VII
DEFAULTS AND REMEDIES

Section 7.01	Events of Default	44
Section 7.02	Enforcement	44
Section 7.03	Appointment of Receiver	45
Section 7.04	Restoration of Issuer and Bondholder	46

ARTICLE VIII
REGISTRAR AND PAYING AGENT

Section 8.01	Appointment of Registrar	47
Section 8.02	Responsibilities of Registrar	47
Section 8.03	Evidence on Which Registrar May Act	47
Section 8.04	Compensation and Expenses	47
Section 8.05	Certain Permitted Acts	47
Section 8.06	Resignation of Registrar	48
Section 8.07	Removal	48
Section 8.08	Appointment of Successor	48
Section 8.09	Transfer of Rights and Property to Successor	49
Section 8.10	Merger or Consolidation	49
Section 8.11	Adoption of Authentication	49
Section 8.12	Paying Agent	49

ARTICLE IX
DEFEASANCE; DISCHARGE OF PLEDGE OF ORDINANCE

Section 9.01	Defeasance; Discharge of Pledge of Ordinance	51

ARTICLE X
MISCELLANEOUS

Section 10.01	Amendment of Ordinance	52
Section 10.02	Evidence of Signatures of Bondholders and Ownership of Bonds	52

Section 10.03	Preservation and Inspection of Documents	53
Section 10.04	Cancellation of Bonds	53
Section 10.05	Failure to Present Bonds	53
Section 10.06	Notices, Demands and Requests	54
Section 10.07	No Personal Liability	55
Section 10.08	Law Applicable	55
Section 10.09	Parties Interested Herein	55
Section 10.10	Severability of Invalid Provisions	55
Section 10.11	Table of Contents and Headings	55
Section 10.12	Conflicting Provisions Repealed	55
Section 10.13	Procedure on Enactment of Ordinance; Public Hearing	55
SIGNATURES		56
CERTIFICATION		57
EXHIBIT A - SERIES 2007 A BOND FORM		58

BOND ORDINANCE

TOWN OF MOOREFIELD, WEST VIRGINIA

AN ORDINANCE AUTHORIZING THE DESIGN, ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING WATERWORKS SYSTEM OF THE TOWN OF MOOREFIELD AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE TOWN OF NOT MORE THAN $3,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2007 A (TAX-EXEMPT); PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE BONDS; AND ENACTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

WHEREAS, the Town of Moorefield (the "Issuer" or the "Town") presently owns and operates a municipal waterworks system (the "System") and has heretofore financed the acquisition and construction of the System and certain additions, betterments and improvements thereto through the issuance of several series of bonds or refunding bonds, of which there are presently outstanding the Prior Bonds, as hereinafter defined.

WHEREAS, all of the Prior Bonds were issued pursuant to ordinances of the Issuer previously enacted (such ordinances, as so amended and supplemented, collectively herein called the "Prior Ordinances");

WHEREAS, under the provisions of Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), the Issuer is authorized and empowered to design, acquire, construct and operate extensions, additions, betterments and improvements for the System;

WHEREAS, the Issuer has determined, and does hereby affirm, that the design, acquisition and construction of certain extensions, additions, betterments and improvements to the System, is necessary, appropriate, useful and desirable for the health, safety, and welfare of the inhabitants of the Town and surrounding areas;

WHEREAS, the Issuer has determined that the aforementioned design, acquisition and construction of extensions, additions, betterments and improvements to the System should be financed, as provided under the Act, in whole or in part, from the proceeds of revenue bonds to be issued by the Issuer, to pay all or any portion of the costs thereof, and to enact this Ordinance and issue its Water Revenue Bonds, Series 2007 A (Tax-Exempt) (the "Series 2007 A Bonds"), such Series 2007 A Bonds to be secured by and payable from the Gross Revenues of the System, and containing such other terms and provisions as are hereinafter provided, all in the manner set forth herein; and

WHEREAS, the Issuer has determined and hereby determines that it is in the best interest of the residents of the Town that its Series 2007 A Bonds be sold to the Original Purchaser (as hereinafter defined) thereof pursuant to the terms and provisions of a bond purchase agreement (the "Bond Purchase Agreement") between the Issuer and the Original Purchaser, hereinafter defined;

NOW, THEREFORE, THE COUNCIL OF THE TOWN OF MOOREFIELD HEREBY ORDAINS:

ARTICLE I

DEFINITIONS; STATUTORY AUTHORITY; FINDINGS

Section 1.01. Definitions. All capitalized terms used in this Ordinance and not otherwise defined in the recitals hereto shall have the meanings specified below, unless the context expressly requires otherwise:

"Act" means Chapter 8, Article 19 of the West Virginia Code of 1931, as amended and in effect on the Closing Date for the Series 2007 A Bonds.

"Authorized Newspaper" means a financial journal or newspaper of general circulation in the City of New York, New York, printed in the English language and customarily published on each business day of the Registrar, whether or not published on Saturdays, Sundays or legal holidays, and so long as so published, shall include The Bond Buyer.

"Authorized Officer" means the Mayor or Town Manager of the Issuer or any other officer of the Issuer specifically designated by resolution of the Council of the Issuer.

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

"Bond Counsel" means any law firm having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds, appointed by the Issuer, and shall initially mean Steptoe & Johnson PLLC, Charleston, West Virginia.

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

"Bond Insurer" means any entity which shall insure all or any portion of the payment of principal of and interest on the Bonds, and with respect to the Series 2007 A Bonds shall initially mean the bond insurer or bond insurers, if any, named in the Supplemental Resolution.

"Bond Register" means the books of the Issuer maintained by the Registrar for the registration and transfer of Series 2007 A Bonds.

"Bond Year" means with respect to the Series 2007 A Bonds, the 12 month period beginning on the anniversary of the Closing Date in each year and ending on the day

prior to the anniversary date of the Closing Date in the following year, except that the first Bond Year shall begin on the Closing Date.

"Bonds" means, collectively, the Series 2007 A Bonds, the Prior Bonds and any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained herein.

"Business Day" means any day other than a Saturday, Sunday or a day on which national banking associations, West Virginia banking corporations or the New York Stock Exchange are authorized by law to remain closed.

"Certificate of Authentication and Registration" means the Certificate of Authentication and Registration on the Series 2007 A Bonds, in substantially the form set forth in EXHIBIT A - SERIES 2007 A BOND FORM hereto.

"Closing Date" means the date upon which there is an exchange of the Bonds for the proceeds representing the original purchase price thereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and Regulations thereunder.

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

"Consulting Engineers" means any independent qualified engineer or engineers or firm or firms of engineers that shall at any time now or hereafter be retained by the Issuer as Consulting Engineers for the System, or portion thereof.

"Costs" or similar terms means all those costs now or hereafter permitted by the Act to be financed with bonds issued pursuant hereto, including, without limitation those costs set forth in Section 1.02C.

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

"Debt Service" with reference to a specified period, means the amount of principal, including any sinking fund payments, and interest payable with respect to the Bonds during such period.

"Depository Bank" means the bank or banks to be designated as such in the Supplemental Resolution, and any other bank or national banking association located in the State of West Virginia, eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC that may hereafter be appointed by the Issuer as Depository Bank.

"DTC" means The Depository Trust Company, New York, New York, or its successor thereof.

"DTC-eligible" means, with respect to the Series 2007 A Bonds, meeting the qualifications prescribed by DTC.

"Event of Default" means any occurrence or event specified in Section 7.01.

"FDIC" means the Federal Deposit Insurance Corporation or any successor to the functions of the FDIC.

"First Lien Bonds" means the Series 1992 A Bonds and the Series 1987 A Bonds, as more fully defined and described in Section 1.03(F).

"First Lien Bonds Sinking Funds" means the respective sinking funds established for the Series 1992 A Bonds and the Series 1987 A Bonds, as more fully defined and described in the Prior Ordinances.

"First Lien Bonds Reserve Accounts" means the respective reserve accounts established for the Series 1992 A Bonds and the Series 1987 A Bonds, as more fully defined and described in the Prior Ordinances.

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

"Government Obligations" shall have the meaning set forth in the Supplemental Resolution.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts, and includes any proceeds from the sale or other disposition of capital assets, but does not include any increase in the value of capital assets (including Qualified Investments).

"Independent Accountant" means the West Virginia State Tax Department or any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the Issuer to prepare an independent annual or special audit of the accounts of the System or for any purpose except keeping the accounts of said System in the normal operations of its business and affairs.

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract, investment-type property or residential rental property for family units which is not located within the

jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes other than specified private activity bonds as defined in Section 57(a)(5)(C) of the Code.

"Maximum Annual Debt Service" means, at the time of computation, the greatest amount of Debt Service required to be paid on the Bonds for the then current or any succeeding Fiscal Year.

"Mayor" means the Mayor of the Issuer.

"Net Proceeds" means the face amount of the Series 2007 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 2007 A Bonds Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2007 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

"Net Revenues" means Gross Revenues less Operating Expenses.

"Nonpurpose Investment" means any Investment Property which is acquired with the gross proceeds of the Series 2007 A Bonds and is not acquired in order to carry out the governmental purpose of the Series 2007 A Bonds.

"Operating Expenses," unless qualified, means the current expenses, paid or accrued, of repair, operation and maintenance of the System, and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses (other than those capitalized as part of the costs of any project relating to the acquisition or construction of additions, betterments or improvements for the System), supplies, labor, wages, the cost of materials and supplies used for current operations, fees and expenses of fiscal agents and of the Depository Bank, Registrar and Paying Agent or Paying Agents, 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.

"Ordinance" or "Bond 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, by ordinance or by resolution.

"Original Purchaser" means the investment banking firm or firms, bank or banks or such other entity or entities as shall purchase the Series 2007 A Bonds directly from the Issuer, as determined by a resolution supplemental hereto.

"Outstanding," when used with reference to the Series 2007 A Bonds, or the Prior Bonds and as of any particular date, describes all Bonds theretofore and thereupon being issued and delivered except (a) any Bond or Prior Bond canceled by the registrar for such Bond or Prior Bonds at or prior to said date; (b) any Bond or Prior Bonds 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 9.01; and (d) with respect to determining the number or percentage of Bondholders or Bonds or Prior Bonds for the purpose of consents, notices and the like, any Bond registered to the Issuer. Notwithstanding the foregoing, in the event that a Bond Insurer has paid principal of and/or interest on any Bond or Prior Bond, such Bond or Prior Bond shall be deemed to be Outstanding until such time as such Bond Insurer has been reimbursed in full.

"Paying Agent" means, initially, the West Virginia Municipal Bond Commission and any other paying agent for the Series 2007 A Bonds which may be appointed by a resolution supplemental hereto, all in accordance with Section 8.12 hereof.

"Prior Bonds" means, collectively, the Series 1987 A Bonds, the Series 1987 B Bonds, the Series 1992 A Bonds, and the Series 1992 B Bonds, as more fully defined in Section 1.03B hereof.

"Prior Ordinances" means, collectively, the ordinances of the Issuer, authorizing the issuance of the Prior Bonds.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person or in any activity carried on by a person other than a natural person, excluding, however, use by a state or local governmental unit and use as a member of the general public.

"Project" means the design, acquisition and construction of certain additions, betterments and improvements to the System, and all necessary appurtenances.

"Purchase Price," for the purpose of computation of the Yield of the Series 2007 A Bonds, has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the Series 2007 A Bonds to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds of each maturity is sold or, if the Series 2007 A Bonds are privately placed, the price paid by the first buyer of the Series 2007 A Bonds or the acquisition cost of the first buyer. "Purchase Price," for purposes of computing Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds of the Series 2007 A Bonds for acquisition thereof, or if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Series 2007 A Bonds.

"Qualified Investments" means and includes the investments set forth in the Supplemental Resolution and designated as such.

"Record Date" means the date or dates which shall be so stated in the Series 2007 A Bonds, regardless of whether such day is a Saturday, Sunday or legal holiday.

"Recording Officer," "Recorder" means the Recorder of the Issuer.

"Redemption Date" means the date fixed for redemption of Bonds subject to redemption in any notice of redemption published or mailed in accordance herewith.

"Redemption Price" means the price at which any of the Bonds may be called for redemption and includes the principal amount of the Bonds to be redeemed, plus the interest and the premium, if any, required to be paid to effect such redemption.

"Registrar" means the bank to be designated in the Supplemental Resolution as the Registrar for the Series 2007 A Bonds, and any successor thereto appointed in accordance with Section 8.08 hereof.

"Regulations" means temporary and permanent regulations promulgated under the Code, and includes applicable regulations promulgated under the Internal Revenue Code of 1954.

"Revenue Fund" means the Revenue Fund created by the Prior Ordinances and continued hereby.

"Second Lien Bonds" means the Series 1987 B Bonds and the Series 1992 B Bonds, as more fully defined and described in Section 1.03(F).

"Second Lien Bonds Sinking Funds" means the respective sinking funds established for the Series 1992 B Bonds and the Series 1987 B Bonds, as more fully defined and described in the Prior Ordinances.

"Second Lien Bonds Reserve Accounts" means the respective reserve accounts established for the Series 1992 B Bonds and the Series 1987 B Bonds, as more fully defined and described in the Prior Ordinances.

"Series 2007 A Bonds" means the Water Revenue Bonds, Series 2007 A (Tax-Exempt), of the Issuer, originally authorized to be issued pursuant to this Ordinance and the Supplemental Resolution.

"Series 2007 A Bonds Construction Fund" means the Series 2007 A Bonds Construction Fund created by Section 4.01 hereof.

"Series 2007 A Bonds Costs of Issuance Fund" means the Costs of Issuance Fund created by Section 4.01 hereof.

"Series 2007 A Bonds Redemption Account" means the Redemption Account created in the Series 2007 A Bonds Sinking Fund by Section 4.02 hereof.

"Series 2007 A Bonds Reserve Account" means the Series 2007 A Bonds Reserve Account created in the Series 2007 A Bonds Sinking Fund by Section 4.02 hereof.

"Series 2007 A Bonds Sinking Fund" means the Series 2007 A Bonds Sinking Fund created by Section 4.02 hereof.

"Series 2007 A Bonds Reserve Account Requirement" means an amount equal to the lesser of (i) 10% of the original principal amount of the Series 2007 A Bonds, (ii) Maximum Annual Debt Service at the time of original issuance of the Series 2007 A Bonds, or (iii) 125% of average annual Debt Service at the time of original issuance of the Series 2007 A Bonds.

"State" means the State of West Virginia.

"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 or Resolutions to be adopted by the Issuer following enactment of this Ordinance, setting forth the final amounts, maturities, interest rates, redemption provisions, Bond Insurer provisions (if any) and other terms of the Series 2007 A Bonds and authorizing the sale of the Series 2007 A Bonds to the Original Purchaser; provided, that any provision intended to be included in the Supplemental Resolution and not so included may be contained in any other Supplemental Resolution.

"System" means the complete existing municipal waterworks system of the Issuer, consisting of a water treatment and distribution system, including a water filtration and treatment plant, reservoirs, water tanks, distribution lines and booster stations, now owned by the Issuer or any integral part thereof, and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to the waterworks system, and shall include any additions, betterments and improvements thereto hereafter acquired or constructed for said waterworks system from any sources whatsoever, both within and without the Issuer.

"Term Bonds" means Bonds subject to mandatory sinking fund redemption, as described by Section 3.06 hereof.

"Town Manager" means the Town Manager of the Issuer, if any.

"Town" or "Issuer" means the Town of Moorefield, a municipal corporation and political subdivision of the State of West Virginia, in Hardy County thereof, and, where appropriate, the Council, and any successor thereto.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations and vice versa; and words importing the masculine gender shall include the feminine and neuter genders and vice versa.

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 generally accepted accounting principles.

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

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

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

Section 1.03. Findings. The Council hereby finds and determines as follows:

A. The Issuer is a municipal corporation and political subdivision of the State of West Virginia in Hardy County of said State.

B. The Issuer presently owns and operates a public waterworks system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be designed, acquired and constructed certain additions, betterments and improvements to the System, consisting of the Project, as defined in Section 1.01, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Recorder of the Issuer.

C. It is deemed necessary for the Issuer to issue its Water Revenue Bonds, in the total aggregate principal amount of not more than $3,500,000, being the Water Revenue Bonds, Series 2007 A in the aggregate principal amount of not more than $3,500,000, to permanently finance the costs of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 2007 A Bonds prior to and during acquisition or construction and for a period not exceeding 6 months after

completion of acquisition and construction of the Project; amounts which may be deposited in the Series 2007 A Bonds Reserve Account; underwriter's discount, engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise; administrative expense; commitment fees; premiums for municipal bond insurance, reserve account insurance or reserve account surety bonds; letter of credit fees; discount; initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2007 A Bonds and such other expenses as may be necessary or incidental to the financing herein authorized; the acquisition and construction of the Project and the placing of same in operation; and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2007 A Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

D. The period of usefulness of the System after completion of the Project is not less than 30 years.

E. It is in the best interests of the Issuer that the Series 2007 A Bonds be sold to the Original Purchaser pursuant to the terms and provisions of a bond purchase agreement or bond purchase agreements to be entered into by and between the Issuer and the Original Purchaser, as shall be approved by supplemental resolution of the Issuer.

F. There are outstanding obligations of the Issuer which will rank either on a parity with or junior and subordinate to, the Series 2007 A Bonds as to liens, pledge, source of and security for payment, as follows:

Designation	Lien Position
Water Revenue Bonds, Series 1987,dated November 20, 1987, issued in the original aggregate principal amount of $443.275 (the "Series 1987 Bonds")	First Lien
Water Revenue Bonds, Series 1992 A, dated May 28, 1992, issued in the original aggregate principal amount of $1,451,613 (the "Series 1992 A Bonds")	First Lien
Supplemental Water Revenue Bonds, Series 1987, dated November 20, 1987, issued in the original aggregate principal amount of $108,725 (the "Series 1987 Supplemental Bonds")	Second Lien

Water Revenue Bonds, Series 1992 B, dated May 28, 1992, issued in the original aggregate principal amount of $48,387 (the "Series 1992 B Bonds")	Second Lien

The Series 1992 A Bonds and the Series 1987 A Bonds are hereinafter collectively called the "First Lien Bonds." The Series 1987 B Bonds and the Series 1992 B Bonds are hereinafter called the "Second Lien Bonds". The First Lien Bonds and the Second Lien Bonds are collectively referred to as the "Prior Bonds". The ordinances which authorized the issuance of the Prior Bonds are herein collectively referred to as the "Prior Ordinances."

The Series 2007 A Bonds shall be issued on a parity with one another and with the First Lien Bonds, all of which shall have a first lien position with respect to pledge and source of and security for payment and in all other respects, and senior and prior to the Second Lien Bonds. The Issuer has met the coverage requirements for issuance of parity bonds of the Prior Bonds and the Prior Ordinances authorizing the Prior Bonds and has substantially complied with all other parity requirements, except to the extent that noncompliance with any such other parity requirements is not of a material nature. The Issuer has received the consent of the holders of the Second Lien to the issuance of the Series 2007 A Bonds.

The Series 2007 A Bonds shall be issued on a parity with the First Lien Bonds, and senior and prior to the Second Lien Bonds with respect to liens, pledge and source of and security for payment and in all other respects. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System. The Issuer has met the coverage and parity requirements for issuance of parity bonds of the First Lien Bonds and the resolutions authorizing the First Lien Bonds and has substantially complied with all other parity requirements. Prior to the issuance of the Series 2007 A Bonds, the Issuer will obtain (i) the certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the First Bonds are met; and (ii) the written consent of the Holders of the Prior Bonds to the issuance of the Series 2007 A Bonds on a parity with the First Lien Bonds and senior and prior to the Second Lien Bonds.

Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

G. The Issuer intends to issue the Series 2007 A Bonds and to pledge for payment thereof, from the Gross Revenues of the System, on a parity with one another and on a parity with such pledge in favor of the Holders of the First Lien Bonds.

H. The estimated revenues to be derived in each year after the date hereof from the operation of the System will be sufficient, to provide for the repair, maintenance and operation of the System, the payment of interest upon the Series 2007 A Bonds, and the

Prior Bonds and to create sinking funds, as hereinafter provided, to pay the principal on the Series 2007 A Bonds, and the Prior Bonds as and when it becomes due and reasonable reserves therefor, to provide an adequate renewal and replacement fund, as hereinafter provided, and to make all other payments provided for in this Ordinance.

I. It is in the best interests of the Issuer, and the residents thereof, that the Issuer issue the Series 2007 A Bonds, and secure the Series 2007 A Bonds by a pledge and assignment of the Gross Revenues derived from the operation of the System, the monies in the Series 2007 A Bonds Reserve Account, unexpended proceeds of the Series 2007 A Bonds and as further set forth herein.

J. The Series 2007 A Bonds and the Certificate of Authentication and Registration to be endorsed thereon are to be in substantially the forms set forth in EXHIBIT A - SERIES 2007 A BOND FORM attached hereto and incorporated herein by reference, with necessary and appropriate variations, omissions and insertions as permitted or required by this Ordinance or a Supplemental Resolution or as deemed necessary by the Registrar or the Issuer.

K. All things necessary to make the Series 2007 A Bonds, when authenticated by the Registrar and issued as in this Ordinance provided, the valid, binding and legal special obligations of the Issuer according to the import thereof, and to validly pledge and assign those funds pledged hereby to the payment of the principal of and interest on the Series 2007 A Bonds, will be timely done and duly performed.

L. The enactment of this Ordinance, the execution and issuance of the Series 2007 A Bonds and the amendment, subject to the terms thereof, will not result in any breach of, or constitute a default under, any instrument to which the Issuer is a party or by which it may be bound or affected.

O. The Issuer has complied with all requirements of West Virginia law relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Series 2007 A Bonds, or will have so complied prior to issuance of any thereof, including, among other things, the obtaining of a certificate of convenience and necessity from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the date of issuance of the Series 2007 A Bonds or such final order will not be subject to appeal or rehearing.

Section 1.04. Ordinance Constitutes Contract. In consideration of the acceptance of the Series 2007 A Bonds by those who shall own or hold the same from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the legal Holders of any and all of such Bonds, all of which shall be of equal rank and without

preference, priority or distinction between any one Bond and any other Bond, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of not more than $3,500,000. The proceeds of the Series 2007 A Bonds hereby authorized shall be applied as provided herein.

ARTICLE III

THE SERIES 2007 A BONDS

Section 3.01. Form and Payment of Bonds. No Series 2007 A Bond shall be issued pursuant to this Ordinance except as provided in this Article III. Any Series 2007 A Bonds issued pursuant to this Ordinance may be issued only as fully registered Series 2007 A Bonds without coupons, in the denomination of $5,000 or any integral multiple thereof for any year of maturity. All Series 2007 A Bonds shall be dated as of the date provided in a Supplemental Resolution applicable to such series. All Series 2007 A Bonds shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Series 2007 A Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Series 2007 A Bonds shall be in default, Bonds issued in exchange for Series 2007 A Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Series 2007 A Bonds surrendered.

The principal of and the premium, if any, on the Series 2007 A Bonds shall be payable in any coin or currency which, on the respective date of such payment, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender at the principal office of the Paying Agent. Interest on the Series 2007 A Bonds shall be paid by check or draft made payable and mailed to the Holder thereof at his address as it appears in the Bond Register at the close of business on the Record Date, or, if requested, in the case of a Registered Owner of $1,000,000 or more of the Series 2007 A Bonds, by wire transfer to a domestic bank account specified in writing at least 5 days prior to such interest payment date by such Registered Owner.

In the event any Series 2007 A Bond is redeemed in part, such bond shall be surrendered to and canceled by the Registrar, and the Issuer shall execute, and the Registrar shall authenticate and deliver to the Holder thereof, another Series 2007 A Bond in the principal amount of said Series 2007 A Bond then Outstanding.

Section 3.02. Execution of Bonds. The Series 2007 A Bonds shall be executed in the name of the Issuer by the Mayor, by his or her manual or facsimile signatures, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Recorder by his or her manual or facsimile signature; provided, that, all such signatures and the seal may be by facsimile. In case any one or more of the officers who shall have signed or sealed any of the Series 2007 A Bonds shall cease to be such officer of the Issuer 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 Series 2007

A Bonds may be signed and sealed on behalf of the Town by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Town, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.03. Authentication and Registration. No Series 2007 A 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 Series 2007 A Bond, substantially in the form set forth in EXHIBIT A - SERIES 2007 A BOND FORM attached hereto and incorporated herein by reference with respect to the Series 2007 A Bonds, shall have been duly manually executed by the Registrar. Any such manually executed Certificate of Authentication and Registration upon any such Series 2007 A 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 Series 2007 A Bond shall be deemed to have been executed by the Registrar if 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 Series 2007 A Bonds issued hereunder.

Section 3.04. Negotiability and Registration Subject to the requirements for transfer set forth below, the Series 2007 A 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 Holder, in accepting any of said Bonds, shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Series 2007 A Bonds remains Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Series 2007 A Bonds. The Series 2007 A 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 transfer of a Series 2007 A Bond, there shall be issued at the option of the Holder or the transferee another Bond or Bonds of the aggregate principal amount equal to the unpaid amount of the transferred Bond and of the same series, interest rate and maturity of said transferred Bond.

Upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar and duly executed by the registered owner or his attorney or legal representative duly authorized in writing, Series 2007 A Bonds may at the option of the Holder thereof be exchanged for an equal aggregate principal amount of Bonds of the same series, maturity and interest rate, in any authorized denominations.

In all cases in which the privilege of transferring or exchanging a Series 2007 A Bond is exercised, Bonds shall be delivered in accordance with the provisions of this Ordinance. All Series 2007 A Bonds surrendered in any such transfer or exchange shall forthwith be canceled by the Registrar. Transfers of Series 2007 A Bonds, the initial exchange of Bonds and exchanges of Bonds in the event of partial redemption of fully registered Bonds shall be made by the Registrar without charge to the Holder or the transferee thereof, except as provided below. For other exchanges of Series 2007 A Bonds, the Registrar may impose a service charge. For every such transfer or exchange of Series 2007 A Bonds, the Registrar may make a charge sufficient to reimburse its office for any tax or other governmental charge required to be paid with respect to such transfer or exchange, and such tax or governmental charge, and such service charge for exchange other than the initial exchange or in the event of partial redemption, shall be paid by the person requesting such transfer or exchange as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Registrar shall not be obliged to make any such transfer or exchange of Series 2007 A Bonds that have been called for redemption.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2007 A Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may execute, in its discretion, and the Registrar shall authenticate, register and deliver any new Bond of like series, maturity and principal amount as the Bond, so mutilated, destroyed, stolen or lost, in exchange and 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 Issuer and the Registrar proof of his ownership thereof and that said Bond has been destroyed, stolen or lost and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer or the Registrar may incur. The name of the Bondholder listed in the Bond Register shall constitute proof of ownership. All Series 2007 A Bonds so surrendered shall be submitted to and canceled by the Registrar, and evidence of such cancellation shall be given to the Issuer. If such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer, by and through the Registrar, may pay the same, upon being indemnified as aforesaid, and, if such Bond be lost, stolen or destroyed, without surrender therefor.

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

Section 3.06. Term Bonds. In the event Term Bonds are issued as part of the Series 2007 A Bonds pursuant to this Ordinance, the following provisions shall apply:

1. The amounts to be deposited, apportioned and set apart by the Issuer from the Revenue Fund and into the Series 2007 A Bonds Redemption Account in accordance

with Subsection 4.03(A)(1) shall include (after credit as provided below) on the first of each month, beginning on the first day of that month which is 12 months prior to the first mandatory redemption date of said Term Bonds, a sum equal to 1/12th of the amount (or, if the Series 2007 A Bonds mature semiannually rather than annually, that month which is 6 months prior to the first mandatory redemption date of said Term Bonds, a sum equal to 1/6th of the amount) required to redeem the principal amount of such Term Bonds which are to be redeemed as of the next ensuing mandatory Redemption Date, which amounts and dates, if any, with respect to a series of Bonds shall be set forth in the Supplemental Resolution relating thereto.

2. At its option, to be exercised on or before the 60th day next preceding any such mandatory Redemption Date, the Issuer may (a) deliver to the Registrar for cancellation such Term Bonds in any aggregate principal amount desired or (b) receive a credit in respect of its mandatory redemption obligation for any such Term Bonds which prior to said date have been redeemed (otherwise than pursuant to this section) and canceled by the Registrar and not theretofore applied as a credit against any such mandatory redemption obligation. Each Term Bond so delivered or previously redeemed shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and Term Bonds delivered in excess of such mandatory redemption obligation shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

3. The Issuer shall on or before the 60th day next preceding each mandatory Redemption Date furnish the Registrar and the Bond Commission with its certificate indicating whether and to what extent the provisions of (a) and (b) of the preceding paragraph are to be utilized with respect to such mandatory redemption payment and stating, in the case of the credit provided for in (b) of the preceding paragraph, that such credit has not theretofore been applied against any mandatory redemption obligation.

4. After said 60th day but prior to the date on which the Registrar selects the Term Bonds to be redeemed, the Bond Commission may use the monies in the Series 2007 A Bonds Redemption Account to purchase Term Bonds at a price less than the par value thereof and accrued interest thereon. The Bond Commission shall advise the Issuer and the Registrar of any Term Bonds so purchased, and they shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and any excess shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

5. The Registrar shall call for redemption, in the manner provided herein, an aggregate principal amount of such Term Bonds, at the principal amount thereof plus interest accrued to the Redemption Date (interest to be paid from the Series 2007 A Bonds Sinking Fund), as will exhaust as nearly as practicable such Series 2007 A Bonds Redemption Account payment designated to be made in accordance with paragraph (A)(1) of this section.

Such redemption shall be by random selection made on the 45th day preceding the mandatory Redemption Date, in such manner as may be determined by the Registrar. For purposes of this section, "Term Bonds" shall include any portion of a fully registered Term Bond, in integrals of $5,000.

Section 3.07. Notice of Redemption. Unless waived by any Holder of the Series 2007 A Bonds to be redeemed, official notice of any redemption shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the applicable Bond Insurer, the Original Purchaser, and the registered owner of the Series 2007 A Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

So long as DTC (as CEDE & CO.) is the registered Owner of the Series 2007 A Bonds, the Registrar shall send all notices of redemption to DTC and shall verify that DTC has received notice. Copies of all redemption notices shall also be sent to registered securities depositories, nationally recognized municipal securities information repositories and to *Standard & Poor's Called Bond Record.*

All official notices of redemption shall be dated and shall state:

(1) The Redemption Date,

(2) The Redemption Price,

(3) If less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,

(4) That on the Redemption Date the Redemption Price and interest accrued will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date,

(5) The place where such Bonds are to be surrendered for payment of the Redemption Price, which place of payment shall be the principal office of the Registrar, and

(6) Such other information, if any, as shall be required for DTC-Eligible Bonds.

If funds sufficient to redeem all Series 2007 A Bonds called for optional redemption have not been deposited with the Paying Agent at the time of mailing any notice of optional redemption, such notice shall also state that such optional redemption is subject

to the deposit of such monies with the Paying Agent on or before the Redemption Date. If such monies are not so deposited, the Registrar shall notify all holders of Series 2007 A Bonds called for redemption of such fact.

Official notice of redemption having been given as aforesaid, the Series 2007 A Bonds, or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Series 2007 A for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the Redemption Price. Installments of interest due on or prior to the Redemption Date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of the same maturity in the amount of the unpaid principal of such Bond. All Series 2007 A Bonds which have been redeemed shall be canceled and destroyed by the Bond Registrar and shall not be reissued.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of Series 2007 A Bonds, and failure to mail such notice shall not affect the validity of proceedings for the redemption of any portion of Bonds for which there was no such failure.

Section 3.08. Persons Treated as Owners. The Issuer, the Registrar and any agent of the Issuer or the Registrar may treat the person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of the principal of, and interest on, such Bond and (except as provided in Section 6.18) for all other purposes, whether or not such Bond is overdue.

Section 3.09. Temporary Bonds. Until Bonds of any series in definitive form are ready for delivery, the Issuer may execute and the Registrar shall authenticate, register, if applicable, and deliver, subject to the same provisions, limitations and conditions set forth in this Article III, one or more printed, lithographed or typewritten Bonds in temporary form, substantially in the form of the definitive Bonds of such series, with appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the lien and benefit created under this Ordinance. Upon the presentation and surrender of any Bond or Bonds in temporary form, the Issuer shall, without unreasonable delay, prepare, execute and deliver to the Registrar, and the Registrar shall authenticate, register, if applicable, and deliver, in exchange therefor, a Bond or Bonds in definitive form. Such exchange shall be made by the Registrar without making any charge therefor to the Holder of such Bond in temporary form.

Section 3.10. Series 2007 A Bonds. For the purposes of paying costs of acquisition and construction of improvements and betterments to the System, partially funding the Series 2007 A Bonds Reserve Account and paying costs in connection therewith,

there shall be issued the Series 2007 A Bonds of the Issuer, in an aggregate principal amount of not more than $3,500,000. Said Series 2007 A Bonds shall be designated "Water Revenue Bonds, Series 2007 A," or such other designation as may be appropriate for the year and sequence of the issue, as may be set forth in a Supplemental Resolution, and shall be issued in fully registered form, in the denomination of $5,000 or any integral multiple thereof for any period of maturity, not exceeding the aggregate principal amount of Series 2007 A Bonds maturing in the period of maturity for which the denomination is to be specified. The Series 2007 A Bonds shall be numbered from BR-1 consecutively upward. The Series 2007 A Bonds shall be dated; shall be in such aggregate principal amount (not to exceed $3,500,000); shall bear interest at such rate or rates, not exceeding the then legally permissible rate (not to exceed 9%), payable semiannually on such dates; shall mature on such dates (which may be annual or semi-annual) (not to exceed 35 years) and in such amounts; shall be subject to such mandatory and optional redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein and in the Supplemental Resolution.

Section 3.11. Book Entry System for Series 2007 A Bonds.

A. The Series 2007 A Bonds shall each initially be issued in the form of one fully-registered bond for the aggregate principal amount of the Series 2007 A Bonds of each maturity, registered in the name of CEDE & CO., as nominee of DTC. Except as provided in paragraph E below, all of the Series 2007 A Bonds shall be registered in the registration books kept by the Registrar in the name of CEDE & CO., as nominee of DTC; provided that if DTC shall request that the Series 2007 A Bonds be registered in the name of a different nominee, the Registrar shall exchange all or any portion of the Series 2007 A Bonds registered in the name of such nominee or nominees. No person other than DTC or its nominee shall be entitled to receive from the Issuer or the Registrar either a Series 2007 A Bond or any other evidence of ownership of the Series 2007 A Bonds, or any right to receive any payment in respect thereof unless DTC or its nominee shall transfer record ownership of all or any portion of the Series 2007 A Bonds on the registration books maintained by the Registrar, in connection with discontinuing the book entry system as provided in paragraph E below.

B. At or prior to settlement for the Series 2007 A Bonds, the Issuer and the Registrar shall execute or signify their approval of a representation letter addressed to DTC in a form satisfactory to DTC (the "Representation Letter"). Any successor Registrar shall, in its written acceptance of its duties under this Ordinance, agree to take any actions necessary from time to time to comply with the requirements of the Representation Letter.

C. So long as the Series 2007 A Bonds or any portion thereof are registered in the name of DTC or any nominee thereof, all payments of the principal or Redemption Price of or interest on such Series 2007 A Bonds shall be made to DTC or its nominee at the addresses set forth in the Representation Letter in New York Clearing House or equivalent next day funds on the dates provided for such payments to be made to any Bondholder under this Ordinance. Each such payment to DTC or its nominee shall be valid and effective to fully discharge all liability of the Issuer and the Registrar with respect to the principal or

Redemption Price of or interest on the Series 2007 A Bonds to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Series 2007 A Bonds Outstanding of any maturity, the Registrar shall not require surrender by DTC of the Series 2007 A Bonds so redeemed, but DTC may retain such Series 2007 A Bonds and make an appropriate notation on the Series 2007 A Bonds certificate as to the amount of such partial redemption; provided that DTC shall deliver to the Registrar, upon request, a written confirmation of such partial redemption. The records maintained by the Registrar shall be conclusive as to the amount of the Series 2007 A Bonds of such maturity which have been redeemed.

D. The Issuer, the Paying Agent and the Registrar may treat DTC as the sole and exclusive owner of the Series 2007 A Bonds registered in its name or the name of its nominee for the purposes of payment of the principal or Redemption Price of or interest on the Series 2007 A Bonds, selecting the Series 2007 A Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Ordinance, registering the transfer of Series 2007 A Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever; and neither the Issuer nor the Registrar shall be affected by any notice to the contrary. Neither the Issuer nor the Registrar shall have any responsibility or obligation to any direct or indirect participant in DTC, any person claiming a beneficial ownership interest in the Series 2007 A Bonds under or through DTC or any such participant, or any other person which is not shown on the registration books of the Registrar as being a Bondholder with respect to (i) the Series 2007 A Bonds, (ii) the accuracy of any records maintained by DTC or any such participant, (iii) the payment by DTC or any such participant of any amount in respect of the principal or Redemption Price of or interest on the Series 2007 A Bonds, (iv) any notice which is permitted or required to be given to Bondholders under this Ordinance, (v) the selection by DTC or any such participant of any person to receive payment in the event of a partial redemption of the Series 2007 A Bonds, or (vi) any consent given or other action taken by DTC as Bondholder.

E. The book entry system for registration of the ownership of the Series 2007 A Bonds may be discontinued at any time if either: (i) DTC determines to resign as securities depository for the Series 2007 A Bonds; or (ii) the Issuer determines that continuation of the system of book entry transfers through DTC (or through a successor securities depository) is not in the best interest of the beneficial owners of the Series 2007 A Bonds. In either of such events (unless in the case described in clause (iii) above, the Issuer appoints a successor securities depository), the Series 2007 A Bonds shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Issuer or the Registrar for the accuracy of such designation. Whenever DTC requests the Issuer and the Registrar to do so, the Issuer and the Registrar shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Series 2007 A Bonds.

Section 3.13. Delivery of Series 2007 A Bonds. The Issuer shall execute and deliver the Series 2007 A Bonds to the Registrar, and the Registrar shall authenticate, register and deliver the Series 2007 A Bonds to the Original Purchaser upon receipt of the documents set forth below:

(1) If not registered in the name of DTC or its nominee, a list of the names in which the Series 2007 A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Registrar may reasonably require;

(2) A request and authorization to the Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2007 A Bonds to DTC for the benefit of the Original Purchaser;

(3) Copies, certified by the Recorder, of this Ordinance and the Supplemental Resolution;

(4) The unqualified approving opinion upon the Series 2007 A Bonds by Bond Counsel; and

(5) Such other opinions, certificates and documents as shall be reasonably requested by the Original Purchaser.

Section 3.14. Form of Series 2007 A Bonds. The definitive Series 2007 A Bonds shall be in substantially the form set forth in EXHIBIT A - SERIES 2007 A BOND FORM attached hereto and incorporated herein by reference, with such necessary and appropriate omissions, insertions and variations as are approved by those officers executing such Series 2007 A Bonds on behalf of the Issuer and execution thereof by such officers shall constitute conclusive evidence of such approval, and the definitive Series 2007 A Bonds shall have the form of the opinion of Steptoe & Johnson PLLC, as Bond Counsel, attached thereto.

Section 3.15. Disposition of Proceeds of Series 2007 A Bonds. Upon the issuance and delivery of the Series 2007 A Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

1. All interest accrued on the Series 2007 A Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2007 A Bonds Sinking Fund and applied to payment of interest on the Series 2007 A Bonds at the first interest payment date, if any.

2. An amount of the proceeds of the Series 2007 A Bonds equal to the amount, if any, set forth in the Supplemental Resolution shall be remitted to the Bond Commission for deposit in the Series 2007 A Bonds Reserve Account, provided that, to the extent the Series 2007 A Bonds Reserve Requirement is satisfied in whole or in part from a reserve account letter of credit, surety bond or other credit facility, proceeds of the Series

2007 A Bonds shall be deposited in the Series 2007 A Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2007 A Bonds Reserve Requirement.

3. The amount of Series 2007 A Bond proceeds which, together with other monies or securities deposited therein shall be equal to the Costs of Issuance of the Series 2007 A Bonds shall be deposited with the Depository Bank in the Series 2007 A Bonds Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the Series 2007 A Bonds at the written direction of the Issuer. Monies not to be applied immediately to pay such costs of issuance may be invested in accordance with this Ordinance, subject however, to applicable yield restrictions as may be in effect under the Code. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 120 days following the Closing Date for the Series 2007 A Bonds, such unapplied proceeds shall be transferred by the Issuer to the Series 2007 A Bonds Sinking Fund established in Section 4.01 hereof and applied to the next ensuing payment of interest on the Series 2007 A Bonds. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such monies until so applied in favor of the Holders of the Series 2007 A Bonds from which such proceeds are derived.

4. The balance of Series 2007 A Bonds proceeds, if any, shall be deposited in the Series 2007 A Bonds Acquisition and Construction Fund and disbursed as provided in Section 3.16(A) hereof.

Section 3.16. Disbursements from the Construction Fund.

A. Disbursements from the Series 2007 A Bonds Construction Fund, except for payment of Costs of Issuance of the Series 2007 A Bonds in excess of the monies available in the Costs of Issuance Fund which shall be made upon request of the Issuer, shall be made only for design, acquisition and construction of improvements, repairs and replacements for the System, including all necessary engineering and other professional services relating thereto. Pending such application, monies in the Series 2007 A Bonds Construction Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE IV

SYSTEM REVENUES; FUNDS AND ACCOUNTS

Section 4.01. Establishment of Funds and Accounts with Depository Bank. Pursuant to this Article IV, the following special funds are created with, and shall be held by, the Depository Bank, segregated from all other funds and accounts of the Depository Bank or the Issuer and from each other (except as set forth in this Section 4.01), and used solely for the purposes provided herein:

(1) Revenue Fund;

(2) Renewal and Replacement Fund;

(3) Series 2007 A Bonds Costs of Issuance Fund;

(4) Series 2007 A Bonds Construction Fund; and

(5) Rebate Fund.

Section 4.02. Establishment of Funds and Accounts with Bond Commission. Pursuant to this Article IV, the following special fund and accounts are hereby established with and shall be held by the Bond Commission:

(1) Series 2007 A Bonds Reserve Account; and

(2) Series 2007 A Bonds Redemption Account;

Section 4.03. System Revenues and Application Thereof. So long as any of the Series 2007 A Bonds shall be Outstanding and unpaid, the Issuer covenants as follows:

A. The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited by the Issuer in the Revenue Fund. The Revenue Fund shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. All Revenues at any time remaining on deposit in the Revenue Fund shall be disposed of only in the following manner and order of priority:

(1) The Issuer shall first, from the monies in the Revenue Fund, on the first day of each month, simultaneously remit to the Commission (i) the amounts required by the Prior Ordinances to be deposited in the First Lien Bonds Sinking Funds for payment of interest on the First Lien Bonds; and (ii) beginning on the first day of that month which is 6 months prior to the first interest payment date on the Series 2007 A Bonds, apportion and set apart out of the Revenue Fund and deposit in the Series 2007 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 2007 A Bonds on the next ensuing semiannual interest payment date,

provided, that in the event the period to elapse between the date of such initial deposit in the Series 2007 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date, and provided further, that the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2007 A Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2007 A Bonds deposited therein, if any, and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2007 A Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2007 A Bonds Sinking Fund.

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) the amounts required by the Prior Ordinances to be deposited in the First Lien Bonds Sinking Funds for payment of principal on the First Lien Bonds; and (ii) for deposit in the Series 2007 A Bonds Sinking Fund (and in the Series 2007 A Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed) on the first day of each month, beginning on the first day of that month which is 12 months prior to the first principal payment or mandatory Redemption Date of the Series 2007 A Bonds, a sum equal to 1/12th of the amount (or 1/6th of the amount if the Series 2007 A Bonds mature semiannually rather than annually) of principal which will mature or be redeemed and become due on the Series 2007 A Bonds on the next ensuing principal payment or mandatory Redemption Date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2007 A Bonds Sinking Fund and the next ensuing principal payment or mandatory Redemption Date is less than or greater than 12 months (or 6 months if the Series 2007 A Bonds mature semiannually rather than annually), then such monthly payments shall be increased or decreased proportionately to provide, one month prior to the next ensuing principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2007 A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) the amounts required by the Prior Ordinances to be deposited in the First Lien Bonds Reserve Accounts for the First Lien Bonds; and (ii) commencing 13 months prior to the first date of payment of principal of the Series 2007 A Bonds or upon completion of construction of the Project, whichever is earlier, if not fully funded upon issuance of the Series 2007 A Bonds, for deposit in the Series 2007 A Bonds Reserve Account, an amount equal to 1/120th of the

Series 2007 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2007 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2007 A Bonds Reserve Requirement; provided further, that if the amounts in the Series 2007 A Bonds Reserve Account, as a result of a decrease in value of the Series 2007 A Bonds Reserve Account below the Series 2007 A Reserve Account Requirement or any withdrawal from the Series 2007 A Bonds Reserve Account, the Issuer shall apply such monies for deposit into the Series 2007 A Bonds Reserve Act, beginning with the first full calendar month following the date on which (i) the valuation of investments in the Series 2007 A Bonds Reserve Account results in a determination that the amount of monies and the value of the Qualified Investments deposited to the credit of the Series 2007 A Bonds Reserve Account is less than the Series 2007 A Reserve Account Requirement.

Amounts in the Series 2007 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2007 A Bonds when due, when amounts in the Series 2007 A Bonds Sinking Fund are insufficient therefor and for no other purpose.

(4) The Issuer shall next, on the first day of each month, transfer from the monies remaining in the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund (as previously set forth in the Prior Ordinances and not in addition thereto), a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Subject to the restrictions contained in the Prior Ordinances, so long as the Prior Bonds are outstanding, withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, or improvements or extensions to the System; provided, that any deficiency in any Reserve Account, except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof, shall be promptly eliminated with monies from the Renewal and Replacement Fund.

(5) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and pay to the Commission the amounts required by the Prior Ordinances to be deposited in the Second Lien Bonds Sinking Funds for payment of principal on the Second Lien Bonds.

(6) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and pay to the Commission the amounts required by the Prior Ordinances to be deposited in the Second Lien Bonds Reserve Accounts.

(7) Thereafter, the Issuer shall, each month, pay from the Revenue Fund current Operating Expenses of the System.

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

B. The Bond Commission is hereby designated as the fiscal agent for the administration of the Series 2007 A Bonds Sinking Fund created hereunder, and all amounts required for said Sinking Fund shall be remitted to the Bond Commission from said Revenue Fund and from the proceeds of the sale of the Series 2007 A Bonds, by the Issuer at the times and as otherwise provided herein. All remittances made by the Issuer to the Bond Commission shall clearly identify the fund or account into which each amount is to be deposited.

C. The monies on deposit in the Revenue Fund and the Renewal and Replacement Fund in excess of the sum insured by the FDIC shall at all times be secured, to the full extent thereof in excess of such insured sum, by Government Obligations or by other Qualified Investments as shall be eligible as security for deposits of municipal funds under the laws of the State.

D. Principal, interest or reserve payments, whether for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the First Lien Bonds and the Series 2007 A Bonds and prior to the Second Lien Bonds, all in accordance with the respective principal amounts then Outstanding.

ARTICLE V

INVESTMENTS; NON-ARBITRAGE; REBATES OF EXCESS INVESTMENT EARNINGS

Section 5.01. Investments. The Issuer shall invest and reinvest, and shall instruct the Bond Commission and the Depository Bank to invest and reinvest, any monies held as a part of the funds and accounts created by this Ordinance in Qualified Investments to the fullest extent possible under applicable laws, this Ordinance, the need for such monies 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 monies were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The Issuer shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Issuer may make any and all investments permitted by this section through the bond department of the Depository Bank. The Depository Bank shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The following specific provisions shall apply with respect to any investments made under this section (unless otherwise required by the Bond Insurer and as set forth in the Supplemental Resolution):

(A) Qualified Investments acquired for the Series 2007 A Bonds Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 5 years from the date of such investment.

(B) The Issuer shall, or shall cause the Bond Commission to, annually transfer from the Series 2007 A Bonds Reserve Account to the Sinking Fund any earnings on the monies deposited therein and any other funds in excess of the Series 2007 A Bonds Reserve Requirement, provided, however, that there shall at all times remain on deposit in the Series 2007 A Bonds Reserve Account an amount at least equal to the Series 2007 A Bonds Reserve Requirement.

(C) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a

withdrawal from the Series 2007 A Bonds Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2007 A Bonds Reserve Account shall, at any time, be less than the applicable Series 2007 A Bonds Reserve Requirement, the applicable Bond Insurer shall be notified immediately of such deficiency, and such deficiency shall be made up from the first available Gross Revenues after required deposits to the Sinking Fund and otherwise in accordance with Section 4.03(3).

(D) All amounts representing accrued interest, if any, shall be held by the Bond Commission, pledged solely to the payment of interest on the Series 2007 A Bonds, and invested only in Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(E) Notwithstanding the foregoing, all monies deposited in the Series 2007 A Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia Board of Treasury Investments pursuant to Chapter 12, Article 6(c) of the Code of West Virginia, 1931, as amended.

Section 5.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Series 2007 A Bonds in such manner and to such extent as may be necessary, so that such the Series 2007 A Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations prescribed thereunder, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of Federal information returns with respect to the Series 2007 A Bonds) so that the interest on the Series 2007 A Bonds will be and remain excluded from gross income for Federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 5.03. Tax Certificate and Rebate. A. The Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the Series 2007 A Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 2007 A Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Ordinance.

B. The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code for the Series 2007 A Bonds. Upon completion

of each such annual calculation, the Issuer shall deposit, or cause to be deposited, in the Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the Rebate Fund to equal the sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge hereunder and used only for payment of rebatable arbitrage to the United States. The Issuer shall pay, or cause to be paid, to the United States, from the Rebate Fund or from the Gross Revenues in the event that the Rebate Fund is insufficient therefor, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States at the time and the address prescribed by the Regulations as the same may be in time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor. The Issuer at its expense, may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer may deem appropriate in order to assure compliance with this Section 5.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 5.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay the required rebate amounts, and any and all penalties and other amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Series 2007 A Bonds from gross income for federal income tax purposes.

Section 5.04. Continuing Disclosure Agreement The Issuer shall deliver a continuing disclosure agreement or certificate in form acceptable to the Original Purchaser sufficient to ensure compliance with SEC Rule 15c2-12, as it may be amended from time to time, and the Issuer hereby instructs the Mayor to take all actions necessary for the Issuer to comply with the continuing disclosure agreement.

ARTICLE VI

ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01. Covenants Binding and Irrevocable. All the covenants, agreements and provisions of this Ordinance shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2007 A Bonds, as prescribed by Article VII. In addition to the other covenants, agreements and provisions of this Ordinance, the Issuer hereby covenants and agrees with the Holders of the Series 2007 A Bonds, as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2007 A Bonds or the interest thereon, are Outstanding and unpaid.

Section 6.02. Bonds not to be Indebtedness of the Issuer. The Series 2007 A Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness but shall be payable solely from the Gross Revenues of the System, the monies in the Series 2007 A Bonds Sinking Fund and all accounts therein, the unexpended proceeds of the Series 2007 A Bonds or monies in a Construction Fund, if any, all as herein provided. No Holder or Holders of any Series 2007 A Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Series 2007 A Bonds or the interest thereon.

Section 6.03. Bonds Secured by Pledge of Gross Revenues and Monies in Sinking Fund. The payment of the debt service of all of the Series 2007 A Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Gross Revenues derived from the operation of the System on a parity with one another and with the lien on the Gross Revenues in favor of the Holders of the First Lien Bonds, and senior and prior to the lien on said Gross Revenues of the Holders of the Second Lien Bonds, and in the instance of the Series 2007 A Bonds, all monies and securities in the Series 2007 A Sinking Fund, including the Series 2007 A Bonds Reserve Account therein, to the extent necessary to make the payments required under Section 4.03. The Gross Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Prior Bonds and the Series 2007 A Bonds herein authorized, and to make the payments into the Series 2007 A Bonds Sinking Fund, all monies and securities in the Series 2007 A Bonds Sinking Fund, including the Series 2007 A Bonds Reserve Account therein, 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 Prior Bonds and the Series 2007 A Bonds herein authorized as the same become due and for the other purposes provided in this Ordinance.

Section 6.04. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Recorder, which copies will be open to inspection by all interested parties. The schedule of

rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2007 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to, on a parity with or subordinate to the Series 2007 A Bonds, including the Prior Bonds.

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

Section 6.05. Completion of Project; Operation and Maintenance. The Issuer will complete the Project as promptly as possible. The Issuer will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the Revenues of said System in the manner provided in this Ordinance.

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

Section 6.06. Sale of the System . So long as the Prior Bonds are Outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, except as provided by the Prior Ordinances. Additionally, so long as the Series 2007 A Bonds are Outstanding, the System may be sold, mortgaged, leased or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to defease the pledge created by this Ordinance as provided by Section 9.01. The proceeds from such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Bond Commission for deposit in the Series 2007 A Bonds Sinking Fund, and otherwise as prescribed by Section 9.01. Any balance remaining after such defeasance shall be remitted to the Issuer by the Bond Commission unless necessary for the payment of other obligations of the Issuer payable out of the Revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor is not in excess of $50,000, the Issuer shall, in writing, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Issuer may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Revenue Fund. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of $50,000 but not in excess of $200,000, the Issuer shall first, in writing, determine with the written approval of the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Issuer may then, if it be so advised, by resolution duly adopted, approve and concur in such finding and authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds derived from any such sale, lease or other disposition of such property, in excess of $50,000 and not in excess of $200,000, shall be deposited by the Issuer into the Renewal and Replacement Fund. Such payments of such proceeds into the Renewal and Replacement Fund shall reduce the amounts required to be paid into said funds by other provisions of this Ordinance.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom shall be in excess of $200,000 and insufficient to defease the pledge created by this Ordinance, as provided by Section 9.01, without the prior approval and consent in writing of any applicable Bond Insurer and the Holders, or their duly authorized representatives, of 60% in amount of Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the Bond Insurer and the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 6.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. The Issuer shall not issue any other obligations whatsoever, except Additional Parity Bonds provided for in Section 6.08 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 the Gross Revenues with the Series 2007 A Bonds; and all obligations hereafter issued by the Issuer payable from the Revenues of the System, except such Additional Parity Bonds, shall contain an express statement that such obligations are junior and subordinate as to lien on and source of and security for payment from such Revenues and in all other respects to the Series 2007 A Bonds.

The Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or, except with respect to such Additional Parity Bonds, being on a parity with the lien of the Series 2007 A Bonds, and the interest thereon, upon any of the income and Revenues of the System pledged for payment of the Series 2007 A Bonds and the interest thereon in this Ordinance or upon the System or any part thereof.

Section 6.08. Additional Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Ordinances shall be applicable. In addition, no additional Parity Bonds, as in this section defined, payable out of the Revenues of the System shall be issued after the issuance of any Bonds pursuant to this Ordinance, except under the conditions and in the manner herein provided.

No such Additional Parity Bonds shall be issued except for the purpose of financing the costs of design, acquisition or construction of additions, betterments or improvements to the System, refunding all or a portion of one or more series of Bonds issued pursuant hereto or the Prior Bonds, to pay claims which may exist against the revenues or facilities of the System, or all of such purposes.

No such Additional Parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Recorder a written statement by an Independent Accountant, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months within the 18 months immediately preceding the date of the actual issuance of such Additional Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the date of issuance of such Additional Parity Bonds, shall be not less than 115% of the Maximum Annual Debt Service on the following:

(1) The Series 2007 A Bonds then Outstanding;

(2) The Prior Bonds Outstanding;

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

(4) The Additional Parity Bonds then proposed to be issued.

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

The Net Revenues actually derived from the System during the 12 consecutive month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent Accountant, as stated in a certificate on account of increased rates, rentals, fees and charges

for the System enacted by the Issuer, the time for appeal of which shall have expired (without successful appeal) prior to issuance of such Additional Parity Bonds.

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

The term "Additional Parity 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 Gross Revenues of the System on a parity with the Series 2007 A Bonds and the Prior Bonds, and all the covenants and other provisions of this Ordinance (except as to details of such Additional Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Series 2007 A Bonds and the Prior Bonds and the Holders of any Additional Parity Bonds theretofore or subsequently issued from time to time within the limitations of and in compliance with this section. All the 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 Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Ordinance required for and on account of such Additional Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Ordinance.

No Additional Parity Bonds shall be valid unless authenticated pursuant to Section 3.03. Prior to such authentication, registration, if applicable, and delivery, the Registrar shall receive those documents prescribed by Section 3.12 with respect to the Series 2007 A Bonds, modified as deemed necessary by the Registrar to reflect the issuance of such additional parity Bonds.

The term "Additional Parity Bonds," as used in this section, shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien on the Revenues of the System of which is subject to the prior and superior lien of the Bonds on such Revenues. Any such subordinate bonds, notes, certificates or other obligations shall be payable from the Gross Revenues remaining after all payments required to be made pursuant to Section 4.03(1), (2) and (3) have first been paid. The Issuer shall not issue any obligations whatsoever payable from the Revenues of the System, or any part thereof, which rank prior to or equally, as to lien and source of and security for payment from such Revenues, with the Series 2007 A Bonds except in the manner and under the conditions provided in this section.

No Additional Parity Bonds, as in this section defined, shall be issued at any time, however, unless all of the payments into the respective funds and accounts provided for in this Ordinance on account of the Bonds then Outstanding (excluding the Renewal and Replacement Fund) and the Prior Bonds, and any other payments provided for in this Ordinance, shall have been made in full as required to the date of delivery of the Additional Parity Bonds and the Issuer shall then be in full compliance with all the covenants,

agreements and terms in the Ordinance and every ordinance supplemental thereto, or shall have fully corrected any delinquency or deficiency with respect to such payments and compliance.

The Issuer may issue Additional Parity Bonds without compliance with any other conditions for the purpose of refunding prior to maturity any series of the Series 2007 A Bonds or portion thereof, provided that the annual debt service required on account of the refunding Bonds and the Series 2007 A Bonds which are not refunded shall not be greater in any year in which the Series 2007 A Bonds not refunded and the refunding Bonds are to be Outstanding than the annual debt service required in such year if the Series 2007 A Bonds to be refunded were not so refunded and provided further, that the final maturity of such Additional Parity Bonds does not exceed that of the refunded Bonds.

Section 6.09. Insurance and Bonds. The Issuer hereby covenants and agrees, that so long as the Series 2007 A Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance and bonds and worker's compensation coverage with a reputable insurance carrier or carriers or bonding company or companies rated at least "A" by Standard & Poor's Corporation covering the following risks and in the following amounts:

A. FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the greater of the fair appraised value or the original cost thereof. In the event of any damage to or destruction of any portion of the System, the Issuer will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damages or destroyed portion. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the Issuer during construction of the Project in the full insurable value thereof.

B. PUBLIC LIABILITY INSURANCE, with limits of not less than is customarily carried by municipalities of equivalent size with respect to works and properties similar to the System to protect the Issuer from claims for bodily injury and/or death and from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System, provided that, the Issuer, with the review of an insurance consultant and the concurrence of the Issuer, may elect to self-insure, so long as the following requirements are met:

(i) The self-insurance program has been reviewed by an insurance consultant;

(ii) The self-insurance program includes an actuarially sound claims reserve fund out of which each self-insured claim shall be paid; the adequacy of such fund shall be evaluated on an annual basis by an insurance consultant; and any deficiencies in

any self-insured claims reserve fund will be remedied in accordance with the recommendation of the insurance consultant;

(iii) The self-insured claims reserve fund shall be held in the United States of America in a separate trust fund by an independent corporate trustee; and

(iv) In the event the current funding of the self-insurance program shall be discontinued, the actuarial soundness of its claims reserve fund, as determined by an insurance consultant, shall be maintained.

If the Issuer determines in good faith that any required insurance is not commercially available at a reasonable cost with reasonable terms, it shall engage an insurance consultant to verify the determination and to make recommendations regarding the types, amounts and provisions of any such insurance that should be purchased or funded by the Issuer, taking into consideration the costs and practices of other municipal water and sewer systems of similar size and type in the State to the extent that such information is available. The Issuer may, upon resolution adopted in good faith and upon the recommendations of the insurance consultant, adopt alternate or supplemental risk management programs which the Issuer determines to be reasonable, including the right to self-insure and participate in captive insurance companies.

C. WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT OR COMPLETION BONDS, such bonds to be in the amounts of not less than 100% of the amount of any construction contract and to be required of each contractor dealing directly with the Issuer and such payment bonds will be filed with the Recorder of the County Commission of Hardy County prior to commencement of construction of any additions, extensions or improvements for the System in compliance with West Virginia Code, Section 38-2-39.

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

Section 6.10. Services Rendered to the Issuer. The Issuer will not render or cause to be rendered any free services of any nature by its System; and, in the event the Issuer or any department, agency, instrumentality, officer or employee thereof 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 Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the Issuer 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 6.11. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 20 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid and to the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, all delinquent rates, rentals and other changes, if not paid, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services and facilities of the System and any services and facilities of the Issuer's waterworks system, to all delinquent users of services and facilities of the System and will not restore such services of the System (or waterworks system) until all billing for charges for the services and facilities of the System, plus penalty charges for the restoration of service, has been fully paid or an appropriate payment plan has been established.

Section 6.12. No Competing Franchise. To the extent legally allowable, the Issuer will 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 whatsoever for the providing of any services which would compete with services provided by the System.

Section 6.13. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Series 2007 A Bond, shall have the right at all reasonable times to inspect the System, and all parts thereof, and all records, accounts and data of the Issuer relating thereto.

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

The Issuer shall file with the Original Purchaser and any Bond Insurer, and shall mail to any Bondholder requesting the same, an annual report within 30 days following the date of receipt of the final audit containing a balance sheet, statement of revenues, expenses, and changes in retained earnings, and statement of cash flows, as prescribed by generally accepted accounting principles.

The Issuer shall also file with the Original Purchaser and any Bond Insurer, and mail to any Bondholder requesting the same, a monthly unaudited report within 30 days following the end of each month containing the following:

(A) A statement of Gross Revenues, Operating Expenses, and Net Revenues derived from the System; and

(B) A statement of account balances in the Sinking Fund accounts provided for in this Ordinance and status of said funds.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by an Independent Accountant, shall mail upon request, and make available generally, the report of said Independent Accountant, or a summary thereof, to any Holder or Holders of Series 2007 A Bonds issued pursuant to this Ordinance and shall file said report with the Original Purchaser.

Section 6.14. Operating Budget. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, or at such earlier date required by the charter of the Issuer, prepare and adopt by resolution a detailed budget of the estimated expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of such a registered professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Original Purchaser and the Bond Insurer, if any, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Original Purchaser and to any Bondholder or anyone acting for and in behalf of such Bondholder who requests the same.

Section 6.15. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2007 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon the issuance of the Series 2007 A Bonds and shall be on a parity with one another and with the statutory mortgage lien in favor of the Holders of the First Lien Bonds and senior to the Second Lien Bonds.

Section 6.16. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 2007 A Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 2007 A Bonds during the term thereof is, under the terms of the Series 2007 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) in the event that both (A) in excess of 5% of the Net Proceeds of the Series 2007 A Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 2007 A Bonds during the term thereof is, under the terms of the Series 2007 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 2007 A Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the System, or if the Series 2007 A Bonds are for the purpose of financing more than one project, a portion of the System, and shall not exceed the proceeds used for the governmental use of that portion of the System to which such Private Business Use is related. This covenant is not applicable to the Series 2003 A Bonds.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Series 2007 A Bonds or $5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2007 A Bonds to be directly or indirectly "federally guaranteed" within the meaning of Section 149(b) of the Code and Regulations promulgated thereunder.

D. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 2007 A Bonds and the interest thereon, including without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take all actions that may be required of it so that the interest on the Series 2007 A Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 6.17. Designation of Series 2007 A Bonds as "Qualified Tax-Exempt Obligations." The Issuer hereby designates the 2007 A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Code and covenants that the 2007 A Bonds do not constitute private activity bonds as defined in Section 141 of the Code, and

that not more than $10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income tax purposes (excluding, however, obligations issued to currently refund any obligation of the Issuer to the extent the amount of the refunding obligation does not exceed the amount of the refunded obligation and private activity bonds, as defined in Section 141 of the Code, other than qualified 501(c)(3) bonds as defined in Section 145 of the Code), including the 2007 A Bonds, have been or shall be issued by the Issuer, including all subordinate entities of the Issuer, during the calendar year 2007, all as determined in accordance with the Code.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Events of Default . Each of the following events shall constitute an "Event of Default" with respect to the Series 2007 A Bonds:

(A) If default occurs in the due and punctual payment of the principal of or interest on any Bond;

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part in this Ordinance or any Supplemental Resolution or in the Series 2007 A Bonds contained, and such default shall have continued for a period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer by any Bondholder or any Insurer; or

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

(D) If default occurs with respect to the Prior Bonds or the Prior Ordinances.

Section 7.02. Enforcement. Upon the happening and continuance of any Event of Default, any Bondholder (with the prior written consent of the applicable Bond Insurer) or any Bond Insurer may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular:

(A) Bring suit for any unpaid principal or interest then due;

(B) By mandamus or other appropriate proceeding enforce all rights of the Bondholders, including the right to require the Issuer to perform its duties under the Act and this Ordinance;

(C) Bring suit upon the Series 2007 A Bonds;

(D) By action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Bondholders; and

(E) By action or bill in equity enjoin any acts in violation of this Ordinance or the rights of the Bondholders.

No remedy by the terms of this Ordinance conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, but each and every such

remedy shall be cumulative and shall be in addition to any other remedy given to the Bondholders hereunder or now or hereafter existing at law or by statute. All rights and remedies of the Holders of the Series 2007 A Bonds shall be on a parity with one another and also on parity with those of the Holders of the First Lien Bonds and Parity 2007 Bonds, and senior and prior to those of the Holders of the Second Lien Bonds.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder by the Bondholders shall be made without the prior written consent of the applicable Bond Insurer or shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereto.

Section 7.03. Appointment of Receiver. If there be any Event of Default existing and continuing, any Bondholder or any Bond Insurer 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 Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the principal of and interest on the Series 2007 A Bonds, and the Prior Bonds, 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, maintain, manage and control such facilities, and each and every part thereof, and in the name of the Issuer exercise all the rights and powers of the Issuer with respect to said facilities as the Issuer itself might do.

Whenever all that is due upon the Series 2007 A Bonds issued pursuant to this Ordinance and interest thereon and under any covenants of this Ordinance for reserve, sinking or other funds and accounts and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Revenues of the System shall have been paid and made good, and all defaults under the provisions of this Ordinance shall have been cured and made good, and all monies due hereunder or under any Supplemental Resolution have been paid in full, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Bondholder 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 Issuer and for the joint protection and benefit of the Issuer and the Holders of the Series 2007 A 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 Issuer and the 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 Issuer, 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.

Notwithstanding any other provision of this Ordinance, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Ordinance, any trustee or Bondholder's committee shall consider the effect on the Bondholders as if no Municipal Bond Insurance Policy were then in effect.

Section 7.04. Restoration of Issuer and Bondholder . In case any Bondholder shall have proceeded to enforce any right under this Ordinance by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Issuer and such Bondholder shall be restored to their former positions and rights hereunder, and all rights and remedies of such Bondholder shall continue as if no such proceedings had been taken.

ARTICLE VIII

REGISTRAR AND PAYING AGENT

Section 8.01. Appointment of Registrar. The Registrar for the Series 2007 A Bonds shall be appointed pursuant to the Supplemental Resolution. The Issuer is hereby authorized and directed to enter into an agreement with the Registrar, the substantial form of which agreement is to be approved by Supplemental Resolution.

Section 8.02. Responsibilities of Registrar. The recitals of fact in the Bonds shall be taken as statements of the Issuer, and the Registrar shall not be responsible for their accuracy. The Registrar shall not be deemed to make any representation as to, and shall not incur any liability on account of, the validity of the execution of any Series 2007 A Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication on the Series 2007 A Bonds. The Registrar and any successor thereto shall agree to perform all the duties and responsibilities spelled out in this Ordinance and any other duties and responsibilities incident thereto, all as provided by said agreement described in Section 8.01.

Section 8.03. Evidence on Which Registrar May Act. Except as otherwise provided by Section 10.02, the Registrar shall be protected in acting upon any notice, resolution, request, consent, order, certificate, opinion or other document believed by it to be genuine and to have been signed or presented by the proper party or parties. Whenever the Registrar shall deem it necessary or desirable that a fact or matter be proved or established prior to taking or suffering any action, such fact or matter, unless other evidence is specifically prescribed, may be deemed to be conclusively proved and established by a certificate of an Authorized Officer of the Issuer, but in its discretion the Registrar may instead accept other evidence of such fact or matter.

Section 8.04. Compensation and Expenses. The Issuer shall pay to the Registrar from time to time reasonable compensation for all services, including the transfer of registration of Series 2007 A Bonds, the first exchange of Series 2007 A Bonds and the exchange of Series 2007 A Bonds in the event of partial redemption, incurred in the performance of its duties hereunder.

Section 8.05. Certain Permitted Acts. The Registrar may become the owner of or may deal in Series 2007 A Bonds as fully and with the same rights it would have if it were not Registrar. To the extent permitted by law, the Registrar may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or effect or aid in any reorganization growing out of the enforcement of the Series 2007 A Bonds, or this Ordinance, whether or not any such committee shall represent the Holders of a majority in principal amount of the Series 2007 A Bonds Outstanding.

Section 8.06. Resignation of Registrar. The Registrar may at any time resign and be discharged of its duties and obligations under this Ordinance by giving not less than 60 days' written notice to the Issuer and publishing in an Authorized Newspaper notice (or mailing such notice to each Bondholder in the event all Bonds are fully registered), specifying the date when such resignation shall take effect, within 20 days after the giving of such written notice. A copy of such notice shall also be mailed to each owner of a fully registered Bond or a coupon Bond registered as to principal (other than to bearer). Such resignation shall take effect upon the day specified in such notice unless a successor shall have been previously appointed by the Issuer or bondholders, in which event such resignation shall take effect immediately, provided that in no event shall such resignation take effect until a successor has been appointed and has accepted its duties as Registrar.

Section 8.07. Removal. The Registrar may be removed at any time by the Issuer, the applicable Bond Insurer or by the Holders of a majority in principal amount of the Series 2007 A Bonds then Outstanding by an instrument or concurrent instruments in writing signed and duly acknowledged by the Issuer, the applicable Bond Insurer or by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer, as the case may be. Copies of each such instrument shall be delivered by the Issuer to the Registrar. Such removal shall take effect upon the date stated in such instrument, provided that in no event shall such removal take effect until a successor has been appointed and has accepted its duties as Registrar.

Section 8.08. Appointment of Successor . In case at any time the Registrar shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Registrar or of its property shall be appointed, or if any public officer or court shall take charge or control of the Registrar or of its property or affairs, a successor may be appointed by the Holders of a majority in principal amount of the Series 2007 A Bonds then Outstanding by an instrument or concurrent instruments in writing signed by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer and such successor Registrar, notification thereof being given to the predecessor Registrar. Pending such appointment, the Issuer shall forthwith appoint a Registrar to fill such vacancy until a successor Registrar shall be appointed by such Bondholders. The Issuer shall publish in an Authorized Newspaper (or mail to each Bondholder in the event all Bonds are fully registered) notice of any such appointment within 20 days after the effective date of such appointment. A copy of such notice shall also be mailed to each owner of a fully registered Bond or a coupon Bond registered as to principal (other than to bearer). Any successor Registrar appointed by the Issuer shall, immediately and without further act, be superseded by a Registrar appointed by such Bondholders. If in a proper case no appointment of a successor Registrar shall be made within 45 days after the Registrar shall have given to the Issuer written notice of resignation or after the occurrence of any other event requiring such appointment, the Registrar or any Bondholder may apply to any court of competent jurisdiction to appoint a successor. Any Registrar appointed under the provisions of this section shall be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Ordinance.

Section 8.09. Transfer of Rights and Property to Successor. Any predecessor Registrar or Paying Agent shall pay over, assign and deliver any monies, books and records held by it to its successor.

Section 8.10. Merger or Consolidation. Any company into which the Registrar may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which the Registrar or any public officer or court may sell or transfer all or substantially all of its corporate trust business, shall be the successor to such Registrar without the execution or filing of any paper or the performance of any further act; provided, however, that such company shall be a bank, trust company or national banking association meeting the requirements set forth in Section 8.08.

Section 8.11. Adoption of Authentication. In case any of the Series 2007 A Bonds shall have been authenticated but not delivered, any successor Registrar may adopt a Certificate of Authentication and Registration executed by any predecessor Registrar and deliver such Bonds so authenticated, and, in case any Bonds shall have been prepared but not authenticated, any successor Registrar may authenticate such Bonds in the name of the predecessor Registrar or in its own name.

Section 8.12. Paying Agent. The West Virginia Municipal Bond Commission shall initially serve as Paying Agent. Any alternate Paying Agent must be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Ordinance. Such alternate Paying Agent shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the Issuer a written acceptance thereof. Any successor Paying Agent shall take such actions as may be necessary to ensure that the Series 2007 A Bond shall be and remain DTC-Eligible.

Each Paying Agent shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by such Paying Agent in connection with such services solely from monies available therefor.

Any bank, trust company or national banking association with or into which any Paying Agent may be merged or consolidated, or to which the assets and business of such Paying Agent may be sold, shall be deemed the successor of such Paying Agent for the purposes of this Ordinance. If the position of Paying Agent shall become vacant for any reason, the Issuer shall, within 30 days thereafter, appoint a bank, trust company or national banking association located in the same town as such Paying Agent to fill such vacancy; provided, however, that, if the Issuer shall fail to appoint such Paying Agent within said period, the Bond Commission, a court of competent jurisdiction or a majority of the Bondholders may make such appointment.

The Paying Agents shall enjoy the same protective provisions in the performance of their duties hereunder as are specified in this Article VIII with respect to the Registrar, insofar as such provisions may be applicable.

Notice of the appointment of successor or additional Paying Agents or fiscal agents shall be given in the same manner as provided by Section 8.08 hereof with respect to the appointment of a successor Registrar.

All monies received by the Paying Agents shall, until used or applied as provided in this Ordinance, be held in trust for the purposes for which they were received.

ARTICLE IX

DEFEASANCE; DISCHARGE OF PLEDGE OF ORDINANCE

Section 9.01. Defeasance; Discharge of Pledge of Ordinance. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 2007 A 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, and all other monies due hereunder have been paid, then this Ordinance and the pledges of the Gross Revenues and other monies and securities pledged hereunder, and all covenants, agreements and other obligations of the Issuer on behalf of the Holders of the Series 2007 A Bonds made hereunder, as applicable, shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with the monies, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective 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 Series 2007 A 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 with the Bond Commission or an escrow trustee either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with the monies, if any, deposited with the Bond Commission or said escrow trustee at the same or earlier time shall be sufficient, to pay when due the principal of, any redemption premium on and interest due and to become due on said Bonds on and prior to the maturity date thereof, or if the Issuer irrevocably determines to redeem any of said Bonds prior to the maturity thereof, on and prior to said Redemption Date. Neither securities nor monies deposited with the Bond Commission or an escrow trustee 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, redemption premium, if any, and interest payments on such securities deposited with the Bond Commission or said escrow trustee, 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 redemption premium, if any, and interest to become due on said Bonds on and prior to such maturity or Redemption Dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Bond Commission or said escrow trustee, free and clear of any trust, lien or pledge.

ARTICLE X

MISCELLANEOUS

Section 10.01. Amendment of Ordinance. Prior to issuance of the Series 2007 A Bonds, this Ordinance may be amended, modified or supplemented in any way by the Supplemental Resolution. All provisions required by the Bond Insurer, if any, shall be set forth in the Supplemental Resolution and to the extent they constitute an amendment or modification of this Ordinance, shall be controlling. Following issuance of the Series 2007 A Bonds, this Ordinance and any Supplemental Resolution may, without the consent of any Bondholder or other person, be amended, modified or supplemented in any manner which, in the opinion of Bond Counsel, does not materially adversely affect the interests of the Bondholders or any Bond Insurer, provided that, in the event any of the Bonds are insured, no such amendment or modification which affects the rights of the applicable Bond Insurer for such Bonds may be made without the written consent of such Bond Insurer. Otherwise, no materially adverse amendment or modification to this Ordinance, or of any Supplemental Resolution, may be made without the written consent of the Holders of 60% in aggregate principal amount of the Series 2007 A Bonds then Outstanding and affected thereby and the Bond Insurer, which must be filed with the Recorder of the Issuer before any such modification or amendment may be made. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Bond without the express written consent of the Holder of such Bond, nor reduce the percentage of Series 2007 A Bonds required for consent to any such modification or amendment.

Section 10.02. Evidence of Signatures of Bondholders and Ownership of Bonds. Any request, consent, revocation of consent or other instrument which this Ordinance may require or permit to be signed and executed by Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys duly authorized in writing. Proof of the execution of any such instrument, or of an instrument appointing or authorizing any such attorney, shall be sufficient for any purpose of this Ordinance if made in the following manner, or in any other manner satisfactory to the Issuer or the Registrar, as the case may be, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

A. The fact and date of the execution by any Bondholder or his attorney of any such instrument may be proved (i) by the certificate of a notary public or other officer authorized to take acknowledgments of deeds to be recorded in the jurisdiction in which he purports to act that the person signing such instrument acknowledged to him the execution thereof, or by the affidavit of a witness of such execution, duly sworn to before such a notary public or other officer or (ii) by the certificate, which need not be acknowledged or verified, of an officer of a bank, a trust company or a financial firm or corporation satisfactory to the Issuer or the Registrar, as the case may be, that the person signing such instrument acknowledged to such bank, trust company, firm or corporation the execution thereof.

B. The authority of a person or persons to execute any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or treasurer or a vice-president or an assistant treasurer of such corporation with a corporate seal affixed, and is attested by a person purporting to be its secretary or assistant secretary.

C. The amount of fully registered Series 2007 A Bonds held by a person executing any instrument as a Bondholder, the date of his holding such Series 2007 A Bonds and the numbers and other identification thereof, shall be confirmed by the Bond Register.

Any request, consent or other instrument executed by the Holder of any Bond shall bind all future Holders and owners of such Bond in respect of anything done or suffered to be done hereunder by the Issuer or the Registrar in accordance therewith.

Section 10.03. Preservation and Inspection of Documents. To the extent allowable under law, all reports, certificates, statements and other documents received by the Registrar under the provisions of this Ordinance shall be retained in its possession and shall be available at all reasonable times for the inspection of the Issuer or any Bondholder, and their agents and their representatives, but any such reports, certificates, statements or other documents may, at the election of the Registrar, be destroyed or otherwise disposed of at any time after such date as the pledge created by this Ordinance shall be discharged as provided in Section 9.01.

Section 10.04. Cancellation of Bonds. All Series 2007 A Bonds purchased or paid shall, if surrendered to the Issuer, be canceled and delivered to the Registrar, or, if surrendered to the Registrar, be canceled by it. No such Bonds shall be deemed Outstanding under this Ordinance and no Series 2007 A Bonds shall be issued in lieu thereof. All such Bonds shall be canceled and upon order of the Issuer shall be destroyed, and a certificate evidencing such destruction shall be delivered to the Issuer.

Section 10.05. Failure to Present Bonds. Anything in this Ordinance to the contrary notwithstanding, any monies held by the Bond Commission or a Paying Agent in trust for the payment and discharge of any of the Series 2007 A Bonds which remain unclaimed for two years after the date on which such Bonds have become due and payable, whether by maturity or upon call for redemption, shall at the written request of the Issuer be paid by the Bond Commission or said Paying Agent to the Issuer as its absolute property and free from trust, and the Bond Commission or said Paying Agent shall thereupon be released and discharged with respect thereto, and the Holders of such Bonds shall look only to the Issuer for the payment of such Bonds; provided, however, that, before making any such payment to the Issuer, the Registrar, if so advised by the Bond Commission, or said Paying Agent shall send to the Holder, at the address listed on the Bond Register, by certified mail, a notice that such monies remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of such notice is mailed, the balance of such monies then unclaimed will be returned to the Issuer.

Section 10.06. Notices, Demands and Requests. Unless otherwise expressly provided, all notices, demands and requests to be given or made hereunder to or by the Issuer, the Registrar, the Depository Bank, the Original Purchaser or the Bond Insurer shall be in writing and shall be properly made if sent by United States mail, postage prepaid, and addressed as follows or if hand-delivered to the individual to whom such notice, demand or request is required to be directed as indicated below:

TOWN

Town of Moorefield
206 Winchester Avenue
Moorefield, West Virginia 26836
Attention: Mayor

REGISTRAR

United Bank, Inc.
500 Virginia Street, East
Charleston, West Virginia 25301
Attention: Trust Department

PAYING AGENT

West Virginia Municipal Bond Commission
8 Capitol Street
Suite 500, Terminal Building
Charleston, West Virginia 25301
Attn: Executive Director

DEPOSITORY BANK

[Name(s) and address(s) to be set forth in
Supplemental Resolution]

ORIGINAL PURCHASER

Crews & Associates, Inc.
2000 Union National Plaza
124 West Capitol
Little Rock, Arkansas 72201

Any party listed above may change such address listed for it at any time upon written notice of change sent by United States mail, postage prepaid, to the other parties.

Section 10.07. No Personal Liability. No member of the Council, or officer or employee of the Issuer shall be individually or personally liable for the payment of the principal of or the interest on any Bond, but nothing herein contained shall relieve any such member, official or employee from the performance of any official duty provided by law or this Ordinance.

Section 10.08. Law Applicable. The laws of the State shall govern the construction of this Ordinance and of all Series 2007 A Bonds issued hereunder.

Section 10.09. Parties Interested Herein. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2007 A Bonds, the applicable Bond Insurer, if any, and the Original Purchaser, any right, remedy or claim under or by reason of this Ordinance. All the covenants, stipulations, promises and agreements contained in this Ordinance by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2007 A Bonds, the Bond Insurer and the Original Purchaser.

Section 10.10. 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 10.11. 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 10.12. Conflicting Provisions Repealed. All ordinances, orders, resolutions or parts thereof in conflict with the provisions of this Ordinance, are, to the extent of such conflict, hereby repealed.

Section 10.13. Procedure on Enactment of Ordinance; Public Hearing. Upon adoption of this Ordinance, the Recorder is hereby authorized and directed to have an abstract of this Ordinance, which abstract has been determined by the Council of the Issuer to contain sufficient information to give notice of the contents of such Ordinance, published once each week for 2 successive weeks, with not less than six full days between each publication, the first such publication to be not less than 10 days before the date stated below for the public hearing, in the *The Moorefield Examiner*, a newspaper published and having a general circulation in the Town of Moorefield, together with a notice to all persons concerned, stating that this Ordinance has been adopted and that the Issuer contemplates the issuance of the Series 2007 A Bonds described in this Ordinance and that any person interested may appear before the Council at the public hearing to be had at a public meeting of Council on the ___ day of _____, 2007, at ____ _.m., in the Council Chambers of

the Town Hall, Moorefield and present protests, and that a certified copy of this Ordinance is on file with the Recorder for review by interested parties during the office hours of the Recorder. At such hearing all protests and suggestions shall be heard by the Council and it shall then take such action as it shall deem proper in the premises.

This Ordinance shall become effective following public hearing hereon in accordance with the Act.

First Reading:	February 6, 2007
Second Reading:	February 13, 2007
Effective following Public Hearing held on:	February 28, 2007

[SEAL]

Mayor

ATTEST:

Recorder

CERTIFICATION

Certified a true, correct and complete copy of an Ordinance duly enacted by the Town Council of the TOWN OF MOOREFIELD at a special meeting of the Town Council held at 7:00 p.m. , on February 28, 2007 pursuant to proper notice, at which meeting a quorum was present and acting throughout, and which Ordinance was enacted following a public hearing thereon, notice of which public hearing was published once a week for two successive weeks in a newspaper having a general circulation in the Town of Moorefield, the first publication having been not less than 10 days prior to such public hearing.

Dated this 16th day of March, 2007

[SEAL]

Recorder

EXHIBIT A - SERIES 2007 A BOND FORM

[DTC Legend]

No. AR-_____ $_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF MOOREFIELD (WEST VIRGINIA)
COMBINED WATERWORKS AND
SEWERAGE SYSTEM REVENUE BONDS, SERIES 2007 A (TAX-EXEMPT)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
_____%	_____	_____	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS: That the TOWN OF MOOREFIELD (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on _____ 1 and _____ 1, in each year, beginning _____ 1, 2007 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized

terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter-described Ordinance.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each May 15 and November 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by United Bank, Inc., Charleston, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least $500,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $_____ designated the "Town of Moorefield Water Revenue Bonds, Series 2007 A (Tax-Exempt)" (the "Series 2007 A Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated _____, 2007, upon original issuance, the proceeds of which are to be used, together with other funds of the Issuer, (i) to finance the cost of design, acquisition and construction of certain additions, betterments and improvements to the waterworks portion of the combined waterworks and sewerage system of the Issuer, (ii) to fund a reserve account for the Series 2007 A Bonds, and (iii) to pay certain costs of issuance of the Series 2007 A Bonds and related costs. The Series 2007 A Bonds are issued under the authority of and in full compliance with the Constitution and statute of the State of West Virginia, including particularly, Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and an ordinance duly enacted by the Town Council of the Issuer on February 20, 2007, and supplemented by a supplemental resolution adopted by said Council on February 20, 2007 (hereinafter collectively referred to as 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 the Series 2007 A Bonds under the Ordinance. Reference is hereby made to the Ordinance, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Series 2007 A Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Ordinance are on file at the office of the Recorder in the Town of Moorefield, West Virginia.

THIS BOND IS ISSUED ON A PARITY WITH, OR SENIOR AND PRIOR RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE FOLLOWING OUTSTANDING WATER REVENUE BONDS OF THE ISSUER (COLLECTIVELY, THE "PRIOR BONDS").

The Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds, the Series 1998 Refunding Bonds, the Series 1998 Design Bonds, the Series 2000 A Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds, the Series 2003 A Bonds, the Series 2005 A Bonds and the Series 2006 A Bonds are hereinafter collectively called the "Prior Bonds." The ordinances which authorized the issuance of the Prior Bonds are herein collectively referred to as the "Prior Ordinances."

Designation	Lien Position
Water Revenue Bonds, Series 1987,dated November 20, 1987, issued in the original aggregate principal amount of $443.275 (the "Series 1987 Bonds")	First Lien
Water Revenue Bonds, Series 1992 A (the "Series 1992 A Bonds")	First Lien
Supplemental Water Revenue Bonds, Series 1987, dated November 20, 1987, issued in the original aggregate principal amount of $108,725 (the "Series 1987 Supplemental Bonds")	Second Lien
Water Revenue Bonds, Series 1992 B (the "Series 1992 B Bonds")	Second Lien

The Series 2007 A Bonds are subject to redemption prior to their stated maturity dates, as provided in the Ordinance and as set forth in the following lettered paragraphs:

(A) Optional Redemption. The Bonds maturing on and after _____, 20____, are subject to redemption prior to maturity at the option of the Issuer on or after _____, 20_____, in whole at any time and in part on any Interest Payment Date, as directed by the Issuer, in reverse order of maturity and by lot within a maturity, at the following Redemption Prices (expressed as percentages of the principal amount of Bonds to be redeemed), plus interest accrued thereon to the date fixed for redemption:

Period During Which Redeemed (Dates Inclusive)	Redemption Price

(B) Mandatory Sinking Fund Redemption. The Bonds maturing on _____, 20_____ and 20_____ are subject to annual mandatory sinking fund redemption prior to maturity by random selection as may be determined by the Registrar, on _____ 1 of the years and in the principal amounts set forth below, at the Redemption Price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Bonds Maturing _____ 1, 20_____

Year (1)	Principal Amount

Bonds Maturing _____ 1, 20_____

Year (1)	Principal Amount

* Final Maturity

In the event of any redemption of less than all outstanding Series 2007 A Bonds, the maturities to be redeemed shall be selected by the Paying Agent at the direction of the Issuer and Series 2007 A Bonds to be redeemed shall be determined by lot within a maturity, or in such other manner deemed appropriate by the Paying Agent. If less than all the Series 2007 A Bonds are to be redeemed, the Series 2007 A Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Series 2007 A Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2007 A Bond or Series 2007 A Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Paying Agent. Such notice shall also be given by the Paying Agent to the Registrar. Notice of redemption having been given as aforesaid, the Series 2007 A Bonds or portions of Series 2007 A Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Series 2007 A Bonds or portions of Series 2007 A Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Series 2007 A Bond.

The Series 2007 A Bonds and the interest thereon are payable only from and are secured by the Gross Revenues (as defined in the Ordinance) to be derived from the operation of the System, on a parity in all respects with the pledge of the Gross Revenues created in favor of the holders of the Prior Bonds, all monies in the Series 2007 A Bonds Sinking Fund, and the Series 2007 A Bonds Reserve Account therein, established under the Ordinance, and the unexpended proceeds of the Series 2007 A Bonds, and the Issuer hereby and in the Ordinance pledges such revenues and monies to such payment. Said Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Ordinance. This Series 2007 A Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Gross Revenues, the monies in the Series 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account and said unexpended Series 2007 A Bond proceeds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Series 2007 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 2007 A Bonds, including the Prior Bonds. The Issuer has entered into certain further covenants with the registered owners of the Series 2007 A Bonds, for the terms of which reference is made to the Ordinance. Remedies provided the registered owners of the Series 2007 A Bonds are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest thereon shall be applied solely to pay all costs of the Project, partially fund a reserve account for the Series 2007 A Bonds, and pay costs of issuance of the Bonds, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owners of said Series 2007 A Bonds.

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 Series 2007 A 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 Series 2007 A Bond, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Series 2007 A Bonds of which this Series 2007 A Bond is one.

This Series 2007 A Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the within-described Ordinance.

This Series 2007 A Bond and the income therefrom are, under the Act, exempt from taxation in the State of West Virginia, except inheritance, estate and transfer taxes.

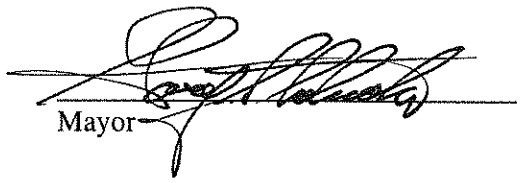
This Series 2007 A Bond has been designated by the Issuer as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

This Series 2007 A Bond shall not be entitled to any benefit under the Ordinance, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

All provisions of the Ordinance, as defined on the reverse hereof, and the statutes under which this Series 2007 A Bond is issued shall be deemed to be a part of the contract evidenced by this Series 2007 A Bond to the same extent as if written fully herein.

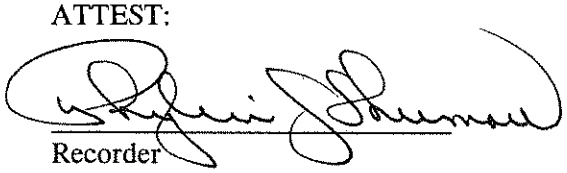
IN WITNESS WHEREOF, the TOWN OF MOOREFIELD (West Virginia) has caused this Bond to be signed by its Mayor, and its corporate seal to be imprinted hereon and attested by its Recorder, and has caused this Series 2007 A Bond to be dated as of the Series 2007 A Bond Date specified above.

[SEAL]



Mayor

ATTEST:



Recorder

CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This Series 2007 A Bond is one of the fully registered Series 2007 A Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Series 2007 A Bonds.

Dated: _____, 2007.

UNITED BANK, INC., as
Registrar

By: _____
Its: Authorized Officer

(FORM OF)
ASSIGNMENT

Social Security or Other Identifying Number of Assignee _____
_____

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

Dated: _____, _____.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

01.26.07
621500.00002

TOWN OF MOOREFIELD

Water Revenue Bonds, Series 2007 A (Tax-Exempt)

SUPPLEMENTAL PARAMETERS RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO CERTAIN PARAMETERS RELATING TO THE WATER REVENUE BONDS, SERIES 2007 A (TAX-EXEMPT) OF THE TOWN OF MOOREFIELD; AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF SUCH BONDS TO CREWS & ASSOCIATES, INC.; AUTHORIZING AND APPROVING A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT, A REGISTRAR AGREEMENT, AN OFFICIAL STATEMENT, AND OTHER INSTRUMENTS RELATING TO THE BONDS; APPOINTING A REGISTRAR, PAYING AGENT, AND DEPOSITORY BANK; APPROVING A CONFORMED ORDINANCE; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Town of Moorefield (the "Issuer") in Hardy County, West Virginia, is a municipal corporation and political subdivision of said State, the governing body of which is its Council (the "Governing Body");

WHEREAS, the Governing Body has duly and officially enacted on February 28, 2007, an Ordinance (the "Ordinance") entitled:

AN ORDINANCE AUTHORIZING THE DESIGN, ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING WATERWORKS SYSTEM OF THE TOWN OF MOOREFIELD AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE TOWN OF NOT MORE THAN $3,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2007 A (TAX-EXEMPT); PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE

BONDS; AND ENACTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

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

WHEREAS, the Ordinance provides for the issuance by the Issuer of its Water Revenue Bonds, Series 2007 A (Tax-Exempt) in an aggregate principal amount not to exceed $3,500,000 (the "Series 2007 A Bonds"), all in accordance with Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, the Ordinance further provided that the exact dates, amounts, maturities, interest rates, redemption provisions, purchase price and other terms of the Series 2007 A Bonds should be established by a supplemental resolution, that a Registrar, Paying Agent and Depository Bank be designated, that a Bond Purchase Agreement, a Continuing Disclosure Agreement, a Registrar Agreement and an Official Statement be approved and that other matters pertaining to the Series 2007 A Bonds be provided for by a supplemental resolution of the Governing Body, that additional covenants and provisions relating to the Bonds be provided therein, and that other matters pertaining to the Series 2007 A Bonds be provided for by a supplemental resolution of this Governing Body;

WHEREAS, the Series 2007 A Bonds are proposed to be purchased by Crews & Associates, Inc. (the "Original Purchaser"), pursuant to a Bond Purchase Agreement between the Original Purchaser and the Issuer, to be dated the date of execution thereof and in general form attached hereto and incorporated herein by reference (the "Bond Purchase Agreement");

WHEREAS, the Governing Body wishes to delegate to the Mayor the authority to approve, within the parameters set forth herein and in the Ordinance, the final terms and provisions of all documents relating to the Series 2007 A Bonds (the "Bond Documents"), without the requirement of further official action by this Governing Body; and

WHEREAS, the Ordinance has been revised after its adoption and the Governing Body deems it essential and desirable that a Conformed Bond Ordinance be approved and entered into by the Issuer;

WHEREAS, the Governing Body deems it essential and desirable that this Supplemental Resolution be adopted, that the Conformed Bond Ordinance, be approved, that the Bond Purchase Agreement, the Continuing Disclosure Agreement and the Registrar Agreement hereinafter provided for

be entered into by the Issuer, that the Official Statement relating to the Series 2007 A Bonds, hereinafter described, be approved, that the Issuer's Mayor be authorized to enter into the Bond Purchase Agreement within the parameters hereby approved by the Governing Body, and that other matters relating to the Series 2007 A Bonds be herein provided for, all in accordance with said Ordinance,

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF MOOREFIELD:

Section 1. The Water Revenue Bonds, Series 2007 A (Tax-Exempt) (the "Series 2007 A Bonds") shall be sold to the Original Purchaser, in the original aggregate principal amount of not to exceed $3,500,000; shall be issued in fully registered form without coupons, in the denominations of $5,000 or integral multiples thereof for any period of maturity; shall be numbered from AR-1 consecutively upward in order of maturity; shall be dated such date, upon original issuance; shall bear interest at rates not to exceed 9.0% per annum, payable semiannually; shall mature in such principal amounts on such dates (with final maturity no later than September 1, 2047); shall be subject to such redemption provisions, all as shall subsequently be approved by the Mayor; and shall be substantially in the form set forth in the Ordinance. The Series 2007 A Bonds shall be signed by and on behalf of the Issuer by its Mayor and be countersigned by its Recorder, which signatures may be either manual or facsimile signatures, and the seal of the Issuer or a facsimile thereof shall be affixed to or imprinted thereon, provided that the authentication of the Series 2007 A Bonds shall be manually signed by the Registrar.

Section 2. The Mayor shall have the authority to approve the pricing and other final terms of the Bonds, including the determination of when and whether to issue the Bonds and to execute the Bond Purchase Agreement without further Council action or approval.

Section 3. The Bond Purchase Agreement by and between the Original Purchaser and the Issuer, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Mayor thereof shall be and the same are hereby authorized, approved, and directed. The Mayor shall execute and deliver the Bond Purchase Agreement with such changes, insertions and omissions as may be approved by the Mayor. The execution of the Bond Purchase Agreement by the Mayor shall be conclusive evidence of any approval required by this Section, and authorization of any action required by the Bond Purchase Agreement relating to the issuance and sale of the Bonds, including the payment of all necessary fees and expenses in connection therewith.

Section 4. The Continuing Disclosure Certificate delivered by the Issuer, to be dated as of the date of delivery of the Bonds, substantially in the form submitted to this meeting, shall be and the same is hereby approved. The Mayor shall execute and deliver the Continuing Disclosure Certificate with such changes, insertions and omissions as may be approved by the Mayor. The execution of the Continuing Disclosure Certificate shall be conclusive evidence of any approval required by this Section.

Section 5. The Registrar Agreement by and between the Issuer and the Registrar designated herein, to be dated as of the date of delivery of the Bonds, substantially in the form submitted to this meeting, shall be and the same is hereby approved. The Mayor shall execute and deliver the Registrar Agreement with such changes, insertions and omissions as may be approved by the Mayor. The execution of the Registrar Agreement by the Mayor shall be conclusive evidence of any approval required by this Section.

Section 6. The distribution by the Original Purchaser of a Preliminary Official Statement (which is a "deemed final" official statement in accordance with SEC Rule 15c2-12), substantially in the form submitted to this meeting is hereby ratified and approved. The certificate of the Issuer relating to compliance with SEC Rule 15c2-12 and the execution and delivery thereof by the Mayor is hereby approved. The Official Statement to be substantially in the form of the Preliminary Official Statement, (with such changes, insertions and omissions as may be necessary or advisable in the opinion of the Mayor) and the distribution of counterparts or copies thereof by the Underwriter are hereby approved. The Mayor shall execute and deliver the Official Statement with such changes, insertions and omissions as may be approved. The execution of the Official Statement by the Mayor shall be conclusive evidence of any approval required by this Section.

Section 7. Proceeds of the Bonds shall be expended solely for the purposes set forth in the Ordinance.

Section 8. All other provisions of the Bonds and the text of the Bonds shall be in substantially the form provided in the Ordinance.

Section 9. The Bonds shall be sold to Crews & Associates, Inc., Charleston, West Virginia, and shall be registered in the name of Cede & Co., the registration name for the Depository Trust Company. The price of the Bonds shall be in an aggregate amount not to exceed $3,500,000.

Section 10. The Mayor and Recorder are hereby authorized and directed to execute and deliver the Bonds and such other documents and certificates required or desirable in connection with the Bonds hereby and by the Ordinance approved and provided for, to the end that the Bonds may be delivered to the Purchaser on or about March 17, 2007.

Section 11. The Issuer hereby appoints and designates the West Virginia Municipal Bond Commission, Charleston, West Virginia, as the Paying Agent for the Bonds.

Section 12. The Issuer hereby appoints and designates United Bank, Inc., Charleston, West Virginia, as the Registrar for the Bonds.

Section 13. The Issuer hereby appoints and designates First United Bank and Trust, Moorefield, West Virginia, as Depository Bank for the Bonds.

Section 14. The issuance of the Bonds is in the public interest, serves a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 15. The firm of Steptoe & Johnson PLLC, Charleston, West Virginia, is hereby engaged for the purpose of serving as Bond Counsel with respect to the Bonds.

Section 16. The Council hereby covenants and agrees that it will not permit at any time or times any of the proceeds of the Series 2007 A Bonds or any other funds of the Council to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any of the Series 2007 A Bonds to be an "arbitrage bond" as defined in Section 148 of the Code, and the regulations promulgated pursuant thereto. The Mayor of the Issuer is authorized and directed to execute and deliver such further instruments or agreements as shall be required to provide further assurances of the Issuer's compliance with this covenant.

Section 17. The notice addresses for the Registrar, Paying Agent and Depository Bank and Original Purchaser shall be as follows:

REGISTRAR

United Bank, Inc.
500 Virginia Street, East
Charleston, West Virginia 25301
Attention: Corporate Trust Department

PAYING AGENT

West Virginia Municipal Bond Commission
#8 Capitol Street, Suite 500
Charleston, West Virginia 25301
Attention: Executive Director

DEPOSITORY BANK

First United Bank and Trust
South Branch Square, Rt. 220
Moorefield, West Virginia 22836

ORIGINAL PURCHASER

Crews & Associates, Inc.
300 Summers Street, Suite 930
Charleston, West Virginia 25301
Attention: Vice President

Section 18. The Mayor, the Recorder are hereby authorized and directed to execute and deliver such other documents and certificates, including a tax and arbitrage certificate, required or desirable in connection with the Series 2007 A Bond issue to the end that the Series 2007 A Bonds may be delivered on a timely basis to the Original Purchaser pursuant to the Bond Purchase Agreement.

Section 19. The Mayor, the Recorder, and all other appropriate officers and employees of the Issuer are hereby authorized, empowered and directed to do any and all things proper and necessary to cause the Bonds to be duly and properly issued by the Issuer and delivered to the Original Purchaser as herein authorized and to otherwise facilitate the transaction contemplated by this Resolution, and no further authority shall be necessary to authorize any such officers or employees to give such further assurance and do such further acts as may be legally required.

Section 20. The Issuer hereby approves the Conformed Bond Ordinance attached hereto as Exhibit A.

Section 21. This Supplemental Resolution shall be effective immediately following adoption hereof.

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Adopted this 28th day of February, 2007.

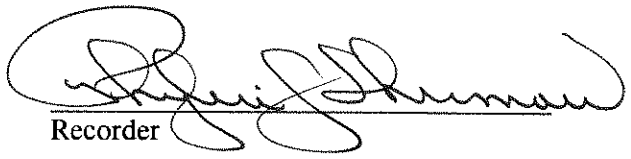
TOWN OF MOOREFIELD

By: _____
Its: Mayor

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Council of the TOWN OF MOOREFIELD on February 28, 2007, which Resolution has not been repealed, rescinded, modified, amended or revoked, as of the date hereof.

Dated this 16th day of March, 2007.



Recorder

02/287/072
621500.00002

EXHIBIT A

CONFORMED ORDINANCE

BOND ORDINANCE

TOWN OF MOOREFIELD, WEST VIRGINIA

AN ORDINANCE AUTHORIZING THE DESIGN, ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING WATERWORKS SYSTEM OF THE TOWN OF MOOREFIELD AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE ~~CITY~~TOWN OF NOT MORE THAN $3,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2007 A (TAX-EXEMPT); PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE BONDS; AND ENACTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

WHEREAS, the Town of Moorefield (the "Issuer" or the " ~~City~~Town") presently owns and operates a municipal waterworks system (the "System") and has heretofore financed the acquisition and construction of the System and certain additions, betterments and improvements thereto through the issuance of several series of bonds or refunding bonds, of which there are presently outstanding the Prior Bonds, as hereinafter defined.

WHEREAS, all of the Prior Bonds were issued pursuant to ordinances of the Issuer previously enacted (such ordinances, as so amended and supplemented, collectively herein called the "Prior Ordinances");

WHEREAS, under the provisions of Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), the Issuer is authorized and empowered to design, acquire, construct and operate extensions, additions, betterments and improvements for the System;

WHEREAS, the Issuer has determined, and does hereby affirm, that the design, acquisition and construction of certain extensions, additions, betterments and improvements to the System, is necessary, appropriate, useful and desirable for the health, safety, and welfare of the inhabitants of the ~~City~~Town and surrounding areas;

WHEREAS, the Issuer has determined that the aforementioned design, acquisition and construction of extensions, additions, betterments and improvements to the System should be financed, as provided under the Act, in whole or in part, from the proceeds of revenue bonds to be issued by the Issuer, to pay all or any portion of the costs thereof, and to enact this Ordinance and issue its Water Revenue Bonds, Series 2007 A (Tax-Exempt) (the "Series 2007 A Bonds"), such Series 2007 A Bonds to be secured by and payable from the Gross Revenues of the System, and containing such other terms and provisions as are hereinafter provided, all in the manner set forth herein; and

WHEREAS, the Issuer has determined and hereby determines that it is in the best interest of the residents of the ~~City~~Town that its Series 2007 A Bonds be sold to the Original Purchaser (as hereinafter defined) thereof pursuant to the terms and provisions of a bond purchase agreement (the "Bond Purchase Agreement") between the Issuer and the Original Purchaser, hereinafter defined;

NOW, THEREFORE, THE COUNCIL OF THE TOWN OF MOOREFIELD HEREBY ORDAINS:

ARTICLE I

DEFINITIONS; STATUTORY AUTHORITY; FINDINGS

Section 1.01. Definitions. All capitalized terms used in this Ordinance and not otherwise defined in the recitals hereto shall have the meanings specified below, unless the context expressly requires otherwise:

"Act" means Chapter 8, Article 19 of the West Virginia Code of 1931, as amended and in effect on the Closing Date for the Series 2007 A Bonds.

"Authorized Newspaper" means a financial journal or newspaper of general circulation in the City of New York, New York, printed in the English language and customarily published on each business day of the Registrar, whether or not published on Saturdays, Sundays or legal holidays, and so long as so published, shall include The Bond Buyer.

"Authorized Officer" means the Mayor or ~~City~~Town Manager of the Issuer or any other officer of the Issuer specifically designated by resolution of the Council of the Issuer.

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

"Bond Counsel" means any law firm having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds, appointed by the Issuer ~~or the Board~~, and shall initially mean Steptoe & Johnson PLLC, Charleston, West Virginia.

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

"Bond Insurer" means any entity which shall insure all or any portion of the payment of principal of and interest on the Bonds, and with respect to the Series 2007 A Bonds shall initially mean the bond insurer or bond insurers, if any, named in the Supplemental Resolution.

"Bond Register" means the books of the Issuer maintained by the Registrar for the registration and transfer of Series 2007 A Bonds.

"Bond Year" means with respect to the Series 2007 A Bonds, the 12 month period beginning on the anniversary of the Closing Date in each year and ending on the day prior to the anniversary date of the Closing Date in the following year, except that the first Bond Year shall begin on the Closing Date.

"Bonds" means, collectively, the Series 2007 A Bonds, the Prior Bonds and any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained herein.

"Business Day" means any day other than a Saturday, Sunday or a day on which national banking associations, West Virginia banking corporations or the New York Stock Exchange are authorized by law to remain closed.

"Certificate of Authentication and Registration" means the Certificate of Authentication and Registration on the Series 2007 A Bonds, in substantially the form set forth in EXHIBIT A - SERIES 2007 A BOND FORM hereto.

~~"City" or "Issuer" means the Town of Moorefield, a municipal corporation and political subdivision of the State of West Virginia, in Hardy County thereof, and, where appropriate, the Council, and any successor thereto.~~

~~"City Manager" means the City Manager of the Issuer, if any.~~

"Closing Date" means the date upon which there is an exchange of the Bonds for the proceeds representing the original purchase price thereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and Regulations thereunder.

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

"Consulting Engineers" means any independent qualified engineer or engineers or firm or firms of engineers that shall at any time now or hereafter be retained by the Issuer as Consulting Engineers for the System, or portion thereof.

"Costs" or similar terms means all those costs now or hereafter permitted by the Act to be financed with bonds issued pursuant hereto, including, without limitation those costs set forth in Section 1.02C.

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

"Debt Service" with reference to a specified period, means the amount of principal, including any sinking fund payments, and interest payable with respect to the Bonds during such period.

"Depository Bank" means the bank or banks to be designated as such in the Supplemental Resolution, and any other bank or national banking association located in the State of West Virginia, eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC that may hereafter be appointed by the Issuer as Depository Bank.

"DTC" means The Depository Trust Company, New York, New York, or its successor thereof.

"DTC-eligible" means, with respect to the Series 2007 A Bonds, meeting the qualifications prescribed by DTC.

"Event of Default" means any occurrence or event specified in Section 7.01.

"FDIC" means the Federal Deposit Insurance Corporation or any successor to the functions of the FDIC.

"First Lien Bonds" means the Series 1992 A Bonds and the Series 1987 A Bonds, as more fully defined and described in Section 1.03(F).

"First Lien Bonds Sinking Funds" means the respective sinking funds established for the Series 1992 A Bonds and the Series 1987 A Bonds, as more fully defined and described in the Prior Ordinances.

"First Lien Bonds Reserve Accounts" means the respective reserve accounts established for the Series 1992 A Bonds and the Series 1987 A Bonds, as more fully defined and described in the Prior Ordinances.

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

"Government Obligations" shall have the meaning set forth in the Supplemental Resolution.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts, and includes any proceeds from the sale or other disposition of capital assets, but does not include any increase in the value of capital assets (including Qualified Investments).

"Independent Accountant" means the West Virginia State Tax Department or any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the Issuer to prepare an independent annual or special audit of the accounts of the System or for any purpose except keeping the accounts of said System in the normal operations of its business and affairs.

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract, investment-type property or residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes other than specified private activity bonds as defined in Section 57(a)(5)(C) of the Code.

"Maximum Annual Debt Service" means, at the time of computation, the greatest amount of Debt Service required to be paid on the Bonds for the then current or any succeeding Fiscal Year.

"Mayor" means the Mayor of the Issuer.

"Net Proceeds" means the face amount of the Series 2007 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 2007 A Bonds Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2007 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

"Net Revenues" means Gross Revenues less Operating Expenses.

"Nonpurpose Investment" means any Investment Property which is acquired with the gross proceeds of the Series 2007 A Bonds and is not acquired in order to carry out the governmental purpose of the Series 2007 A Bonds.

"Operating Expenses," unless qualified, means the current expenses, paid or accrued, of repair, operation and maintenance of the System, and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses (other than those capitalized as part of the costs of any project relating to the acquisition or construction of additions, betterments or improvements for the System), supplies, labor, wages, the cost of materials and supplies used for current operations, fees and expenses of fiscal agents and of the Depository Bank, Registrar and Paying Agent or Paying Agents, 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.

"Ordinance" or "Bond 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, by ordinance or by resolution.

"Original Purchaser" means the investment banking firm or firms, bank or banks or such other entity or entities as shall purchase the Series 2007 A Bonds directly from the Issuer, as determined by a resolution supplemental hereto.

"Outstanding," when used with reference to the Series 2007 A Bonds, or the Prior Bonds and as of any particular date, describes all Bonds theretofore and thereupon being issued and delivered except (a) any Bond or Prior Bond canceled by the registrar for such Bond or Prior Bonds at or prior to said date; (b) any Bond or Prior Bonds 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 9.01; and (d) with respect to determining the number or percentage of Bondholders or Bonds or Prior Bonds for the purpose of consents, notices and the like, any Bond registered to the Issuer. Notwithstanding the foregoing, in the event that a Bond Insurer has paid principal of and/or interest on any Bond or Prior Bond, such Bond or Prior Bond shall be deemed to be Outstanding until such time as such Bond Insurer has been reimbursed in full.

"Paying Agent" means, initially, the West Virginia Municipal Bond Commission and any other paying agent for the Series 2007 A Bonds which may be appointed by a resolution supplemental hereto, all in accordance with Section 8.12 hereof.

"Prior Bonds" means, collectively, the Series 1987 A Bonds, the Series 1987 B Bonds, the Series 1992 A Bonds, and the Series 1992 B Bonds, as more fully defined in Section 1.03B hereof.

"Prior Ordinances" means, collectively, the ordinances of the Issuer, authorizing the issuance of the Prior Bonds.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person or in any activity carried on by a person other than a natural person, excluding, however, use by a state or local governmental unit and use as a member of the general public.

"Project" means the design, acquisition and construction of certain additions, betterments and improvements to the System, and all necessary appurtenances.

"Purchase Price," for the purpose of computation of the Yield of the Series 2007 A Bonds, has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the Series 2007 A Bonds to

the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds of each maturity is sold or, if the Series 2007 A Bonds are privately placed, the price paid by the first buyer of the Series 2007 A Bonds or the acquisition cost of the first buyer. "Purchase Price," for purposes of computing Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds of the Series 2007 A Bonds for acquisition thereof, or if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Series 2007 A Bonds.

"Qualified Investments" means and includes the investments set forth in the Supplemental Resolution and designated as such.

"Record Date" means the date or dates which shall be so stated in the Series 2007 A Bonds, regardless of whether such day is a Saturday, Sunday or legal holiday.

"Recording Officer," "Recorder" ~~or "Clerk"~~ means the Recorder of the Issuer.

"Redemption Date" means the date fixed for redemption of Bonds subject to redemption in any notice of redemption published or mailed in accordance herewith.

"Redemption Price" means the price at which any of the Bonds may be called for redemption and includes the principal amount of the Bonds to be redeemed, plus the interest and the premium, if any, required to be paid to effect such redemption.

"Registrar" means the bank to be designated in the Supplemental Resolution as the Registrar for the Series 2007 A Bonds, and any successor thereto appointed in accordance with Section 8.08 hereof.

"Regulations" means temporary and permanent regulations promulgated under the Code, and includes applicable regulations promulgated under the Internal Revenue Code of 1954.

"Revenue Fund" means the Revenue Fund created by the Prior Ordinances and continued hereby.

"Second Lien Bonds" means the Series 1987 B Bonds and the Series 1992 B Bonds, as more fully defined and described in Section 1.03(F).

"Second Lien Bonds Sinking Funds" means the respective sinking funds established for the Series 1992 B Bonds and the Series 1987 B Bonds, as more fully defined and described in the Prior Ordinances.

"Second Lien Bonds Reserve Accounts" means the respective reserve accounts established for the Series 1992 B Bonds and the Series 1987 B Bonds, as more fully defined and described in the Prior Ordinances.

"Series 2007 A Bonds" means the Water Revenue Bonds, Series 2007 A (Tax-Exempt), of the Issuer, originally authorized to be issued pursuant to this Ordinance and the Supplemental Resolution.

"Series 2007 A Bonds Construction Fund" means the Series 2007 A Bonds Construction Fund created by Section 4.01 hereof.

"Series 2007 A Bonds Costs of Issuance Fund" means the Costs of Issuance Fund created by Section 4.01 hereof.

"Series 2007 A Bonds Redemption Account" means the Redemption Account created in the Series 2007 A Bonds Sinking Fund by Section 4.02 hereof.

"Series 2007 A Bonds Reserve Account" means the Series 2007 A Bonds Reserve Account created in the Series 2007 A Bonds Sinking Fund by Section 4.02 hereof.

"Series 2007 A Bonds Sinking Fund" means the Series 2007 A Bonds Sinking Fund created by Section 4.02 hereof.

"Series 2007 A Bonds Reserve Account Requirement" means an amount equal to the lesser of (i) 10% of the original principal amount of the Series 2007 A Bonds, (ii) Maximum Annual Debt Service at the time of original issuance of the Series 2007 A Bonds, or (iii) 125% of average annual Debt Service at the time of original issuance of the Series 2007 A Bonds.

"State" means the State of West Virginia.

"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 or Resolutions to be adopted by the Issuer following enactment of this Ordinance, setting forth the final amounts, maturities, interest rates, redemption provisions, Bond Insurer provisions (if any) and other terms of the Series 2007 A Bonds and authorizing the sale of the Series 2007 A Bonds to the Original Purchaser; provided, that any provision intended to be included in the Supplemental Resolution and not so included may be contained in any other Supplemental Resolution.

"System" means the complete existing municipal waterworks system of the Issuer, consisting of a water treatment and distribution system, including a water filtration and treatment plant, reservoirs, water tanks, distribution lines and booster stations, now owned by the Issuer or any integral part thereof, and all other facilities necessary,

appropriate, useful, convenient or incidental in connection with or to the waterworks system, and shall include any additions, betterments and improvements thereto hereafter acquired or constructed for said waterworks system from any sources whatsoever, both within and without the Issuer.

"Term Bonds" means Bonds subject to mandatory sinking fund redemption, as described by Section 3.06 hereof.

"Town Manager" means the Town Manager of the Issuer, if any.

"Town" or "Issuer" means the Town of Moorefield, a municipal corporation and political subdivision of the State of West Virginia, in Hardy County thereof, and, where appropriate, the Council, and any successor thereto.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations and vice versa; and words importing the masculine gender shall include the feminine and neuter genders and vice versa.

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 generally accepted accounting principles.

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

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

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

Section 1.03. Findings. The Council hereby finds and determines as follows:

A. The Issuer is a municipal corporation and political subdivision of the State of West Virginia in Hardy County of said State.

B. The Issuer presently owns and operates a public waterworks system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be designed, acquired and constructed certain additions, betterments and improvements to the System, consisting of the Project, as defined in Section 1.01, in

accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Recorder of the Issuer.

C. It is deemed necessary for the Issuer to issue its Water Revenue Bonds, in the total aggregate principal amount of not more than $3,500,000, being the Water Revenue Bonds, Series 2007 A in the aggregate principal amount of not more than $3,500,000, to permanently finance the costs of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 2007 A Bonds prior to and during acquisition or construction and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Series 2007 A Bonds Reserve Account; underwriter's discount, engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise; administrative expense; commitment fees; premiums for municipal bond insurance, reserve account insurance or reserve account surety bonds; letter of credit fees; discount; initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2007 A Bonds and such other expenses as may be necessary or incidental to the financing herein authorized; the acquisition and construction of the Project and the placing of same in operation; and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2007 A Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

D. The period of usefulness of the System after completion of the Project is not less than 30 years.

E. It is in the best interests of the Issuer that the Series 2007 A Bonds be sold to the Original Purchaser pursuant to the terms and provisions of a bond purchase agreement or bond purchase agreements to be entered into by and between the Issuer and the Original Purchaser, as shall be approved by supplemental resolution of the Issuer.

F. There are outstanding obligations of the Issuer which will rank either on a parity with or junior and subordinate to, the Series 2007 A Bonds as to liens, pledge, source of and security for payment, as follows:

Designation	Lien Position
Water Revenue Bonds, Series 1987,dated November 20, 1987, issued in the original aggregate principal amount of $443.275 (the "Series 1987 Bonds")	First Lien

Water Revenue Bonds, Series 1992 A, dated May 28, 1992, issued in the original aggregate principal amount of $1,451,613 (the "Series 1992 A Bonds")	First Lien
Supplemental Water Revenue Bonds, Series 1987, dated November 20, 1987, issued in the original aggregate principal amount of $108,725 (the "Series 1987 Supplemental Bonds")	Second Lien
Water Revenue Bonds, Series 1992 B, dated May 28, 1992, issued in the original aggregate principal amount of $48,387 (the "Series 1992 B Bonds")	Second Lien

The Series 1992 A Bonds and the Series 1987 A Bonds are hereinafter collectively called the "First Lien Bonds." The Series 1987 B Bonds and the Series 1992 B Bonds are hereinafter called the "Second Lien Bonds". The First Lien Bonds and the Second Lien Bonds are collectively referred to as the "Prior Bonds". The ordinances which authorized the issuance of the Prior Bonds are herein collectively referred to as the "Prior Ordinances."

The Series 2007 A Bonds shall be issued on a parity with one another and with the First Lien Bonds, all of which shall have a first lien position with respect to pledge and source of and security for payment and in all other respects, and senior and prior to the Second Lien Bonds. The Issuer has met the coverage requirements for issuance of parity bonds of the ~~First Lien~~Prior Bonds and the Prior Ordinances authorizing the ~~First Lien~~Prior Bonds and has substantially complied with all other parity requirements, except to the extent that noncompliance with any such other parity requirements is not of a material nature. The Issuer has received the consent of the holders of the Second Lien to the issuance of the Series 2007 A Bonds.

The Series 2007 A Bonds shall be issued on a parity with the First Lien Bonds, and senior and prior to the Second Lien Bonds with respect to liens, pledge and source of and security for payment and in all other respects. Other than the Prior Bonds, there are no outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System. The Issuer has met the coverage and parity requirements for issuance of parity bonds of the First Lien Bonds and the resolutions authorizing the First Lien Bonds and has substantially complied with all other parity requirements. Prior to the issuance of the Series 2007 A Bonds, the Issuer will obtain (i) the certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the First Bonds are met; and (ii) the written consent of the Holders of the Prior Bonds to the issuance of the Series 2007 A Bonds

on a parity with the First Lien Bonds and senior and prior to the Second Lien Bonds ~~, if required by the Prior Ordinances~~.

Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

G. The Issuer intends to issue the Series 2007 A Bonds and to pledge for payment thereof, from the Gross Revenues of the System, on a parity with one another and on a parity with such pledge in favor of the Holders of the ~~Prior~~First Lien Bonds.

H. The estimated revenues to be derived in each year after the date hereof from the operation of the System will be sufficient, to provide for the repair, maintenance and operation of the System, the payment of interest upon the Series 2007 A Bonds, and the Prior Bonds and to create sinking funds, as hereinafter provided, to pay the principal on the Series 2007 A Bonds, and the Prior Bonds as and when it becomes due and reasonable reserves therefor, to provide an adequate renewal and replacement fund, as hereinafter provided, and to make all other payments provided for in this Ordinance.

I. It is in the best interests of the Issuer, and the residents thereof, that the Issuer issue the Series 2007 A Bonds, and secure the Series 2007 A Bonds by a pledge and assignment of the Gross Revenues derived from the operation of the System, the monies in the Series 2007 A Bonds Reserve Account, unexpended proceeds of the Series 2007 A Bonds and as further set forth herein.

J. The Series 2007 A Bonds and the Certificate of Authentication and Registration to be endorsed thereon are to be in substantially the forms set forth in EXHIBIT A - SERIES 2007 A BOND FORM attached hereto and incorporated herein by reference, with necessary and appropriate variations, omissions and insertions as permitted or required by this Ordinance or a Supplemental Resolution or as deemed necessary by the Registrar or the Issuer.

K. All things necessary to make the Series 2007 A Bonds, when authenticated by the Registrar and issued as in this Ordinance provided, the valid, binding and legal special obligations of the Issuer according to the import thereof, and to validly pledge and assign those funds pledged hereby to the payment of the principal of and interest on the Series 2007 A Bonds, will be timely done and duly performed.

L. The enactment of this Ordinance, the execution and issuance of the Series 2007 A Bonds and the amendment, subject to the terms thereof, will not result in any breach of, or constitute a default under, any instrument to which the Issuer is a party or by which it may be bound or affected.

O. The Issuer has complied with all requirements of West Virginia law relating to authorization of the acquisition, construction and operation of the Project and the

System and issuance of the Series 2007 A Bonds, or will have so complied prior to issuance of any thereof, including, among other things, the obtaining of a certificate of convenience and necessity from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the date of issuance of the Series 2007 A Bonds or such final order will not be subject to appeal or rehearing.

Section 1.04. Ordinance Constitutes Contract. In consideration of the acceptance of the Series 2007 A Bonds by those who shall own or hold the same from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the legal Holders of any and all of such Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bond, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of not more than $3,500,000. The proceeds of the Series 2007 A Bonds hereby authorized shall be applied as provided herein.

ARTICLE III

THE SERIES 2007 A BONDS

Section 3.01. Form and Payment of Bonds. No Series 2007 A Bond shall be issued pursuant to this Ordinance except as provided in this Article III. Any Series 2007 A Bonds issued pursuant to this Ordinance may be issued only as fully registered Series 2007 A Bonds without coupons, in the denomination of $5,000 or any integral multiple thereof for any year of maturity. All Series 2007 A Bonds shall be dated as of the date provided in a Supplemental Resolution applicable to such series. All Series 2007 A Bonds shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Series 2007 A Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Series 2007 A Bonds shall be in default, Bonds issued in exchange for Series 2007 A Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Series 2007 A Bonds surrendered.

The principal of and the premium, if any, on the Series 2007 A Bonds shall be payable in any coin or currency which, on the respective date of such payment, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender at the principal office of the Paying Agent. Interest on the Series 2007 A Bonds shall be paid by check or draft made payable and mailed to the Holder thereof at his address as it appears in the Bond Register at the close of business on the Record Date, or, if requested, in the case of a Registered Owner of $1,000,000 or more of the Series 2007 A Bonds, by wire transfer to a domestic bank account specified in writing at least 5 days prior to such interest payment date by such Registered Owner.

In the event any Series 2007 A Bond is redeemed in part, such bond shall be surrendered to and canceled by the Registrar, and the Issuer shall execute, and the Registrar shall authenticate and deliver to the Holder thereof, another Series 2007 A Bond in the principal amount of said Series 2007 A Bond then Outstanding.

Section 3.02. Execution of Bonds. The Series 2007 A Bonds shall be executed in the name of the Issuer by the Mayor, by his or her manual or facsimile signatures, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Recorder by his or her manual or facsimile signature; provided, that, all such signatures and the seal may be by facsimile. In case any one or more of the officers who shall have signed or sealed any of the Series 2007 A Bonds shall cease to be such officer of the Issuer 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 Series 2007

A Bonds may be signed and sealed on behalf of the ~~City~~Town by such person as at the actual time of the execution of such Bonds shall hold the proper office in the ~~City~~Town, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.03. Authentication and Registration. No Series 2007 A 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 Series 2007 A Bond, substantially in the form set forth in EXHIBIT A - SERIES 2007 A BOND FORM attached hereto and incorporated herein by reference with respect to the Series 2007 A Bonds, shall have been duly manually executed by the Registrar. Any such manually executed Certificate of Authentication and Registration upon any such Series 2007 A 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 Series 2007 A Bond shall be deemed to have been executed by the Registrar if 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 Series 2007 A Bonds issued hereunder.

Section 3.04. Negotiability and Registration Subject to the requirements for transfer set forth below, the Series 2007 A 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 Holder, in accepting any of said Bonds, shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Series 2007 A Bonds remains Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Series 2007 A Bonds. The Series 2007 A 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 transfer of a Series 2007 A Bond, there shall be issued at the option of the Holder or the transferee another Bond or Bonds of the aggregate principal amount equal to the unpaid amount of the transferred Bond and of the same series, interest rate and maturity of said transferred Bond.

Upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar and duly executed by the registered owner or his attorney or legal representative duly authorized in writing, Series 2007 A Bonds may at the option of the Holder thereof be exchanged for an equal aggregate principal amount of Bonds of the same series, maturity and interest rate, in any authorized denominations.

In all cases in which the privilege of transferring or exchanging a Series 2007 A Bond is exercised, Bonds shall be delivered in accordance with the provisions of this Ordinance. All Series 2007 A Bonds surrendered in any such transfer or exchange shall forthwith be canceled by the Registrar. Transfers of Series 2007 A Bonds, the initial exchange of Bonds and exchanges of Bonds in the event of partial redemption of fully registered Bonds shall be made by the Registrar without charge to the Holder or the transferee thereof, except as provided below. For other exchanges of Series 2007 A Bonds, the Registrar may impose a service charge. For every such transfer or exchange of Series 2007 A Bonds, the Registrar may make a charge sufficient to reimburse its office for any tax or other governmental charge required to be paid with respect to such transfer or exchange, and such tax or governmental charge, and such service charge for exchange other than the initial exchange or in the event of partial redemption, shall be paid by the person requesting such transfer or exchange as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Registrar shall not be obliged to make any such transfer or exchange of Series 2007 A Bonds that have been called for redemption.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2007 A Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may execute, in its discretion, and the Registrar shall authenticate, register and deliver any new Bond of like series, maturity and principal amount as the Bond, so mutilated, destroyed, stolen or lost, in exchange and 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 Issuer and the Registrar proof of his ownership thereof and that said Bond has been destroyed, stolen or lost and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer or the Registrar may incur. The name of the Bondholder listed in the Bond Register shall constitute proof of ownership. All Series 2007 A Bonds so surrendered shall be submitted to and canceled by the Registrar, and evidence of such cancellation shall be given to the Issuer. If such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer, by and through the Registrar, may pay the same, upon being indemnified as aforesaid, and, if such Bond be lost, stolen or destroyed, without surrender therefor.

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

Section 3.06. Term Bonds. In the event Term Bonds are issued as part of the Series 2007 A Bonds pursuant to this Ordinance, the following provisions shall apply:

1. The amounts to be deposited, apportioned and set apart by the Issuer from the Revenue Fund and into the Series 2007 A Bonds Redemption Account in accordance

with Subsection 4.03(A)(1) shall include (after credit as provided below) on the first of each month, beginning on the first day of that month which is 12 months prior to the first mandatory redemption date of said Term Bonds, a sum equal to 1/12th of the amount (or, if the Series 2007 A Bonds mature semiannually rather than annually, that month which is 6 months prior to the first mandatory redemption date of said Term Bonds, a sum equal to 1/6th of the amount) required to redeem the principal amount of such Term Bonds which are to be redeemed as of the next ensuing mandatory Redemption Date, which amounts and dates, if any, with respect to a series of Bonds shall be set forth in the Supplemental Resolution relating thereto.

2. At its option, to be exercised on or before the 60th day next preceding any such mandatory Redemption Date, the Issuer may (a) deliver to the Registrar for cancellation such Term Bonds in any aggregate principal amount desired or (b) receive a credit in respect of its mandatory redemption obligation for any such Term Bonds which prior to said date have been redeemed (otherwise than pursuant to this section) and canceled by the Registrar and not theretofore applied as a credit against any such mandatory redemption obligation. Each Term Bond so delivered or previously redeemed shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and Term Bonds delivered in excess of such mandatory redemption obligation shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

3. The Issuer shall on or before the 60th day next preceding each mandatory Redemption Date furnish the Registrar and the Bond Commission with its certificate indicating whether and to what extent the provisions of (a) and (b) of the preceding paragraph are to be utilized with respect to such mandatory redemption payment and stating, in the case of the credit provided for in (b) of the preceding paragraph, that such credit has not theretofore been applied against any mandatory redemption obligation.

4. After said 60th day but prior to the date on which the Registrar selects the Term Bonds to be redeemed, the Bond Commission may use the monies in the Series 2007 A Bonds Redemption Account to purchase Term Bonds at a price less than the par value thereof and accrued interest thereon. The Bond Commission shall advise the Issuer and the Registrar of any Term Bonds so purchased, and they shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and any excess shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

5. The Registrar shall call for redemption, in the manner provided herein, an aggregate principal amount of such Term Bonds, at the principal amount thereof plus interest accrued to the Redemption Date (interest to be paid from the Series 2007 A Bonds Sinking Fund), as will exhaust as nearly as practicable such Series 2007 A Bonds Redemption Account payment designated to be made in accordance with paragraph (A)(1) of this section.

Such redemption shall be by random selection made on the 45th day preceding the mandatory Redemption Date, in such manner as may be determined by the Registrar. For purposes of this section, "Term Bonds" shall include any portion of a fully registered Term Bond, in integrals of $5,000.

Section 3.07. Notice of Redemption. Unless waived by any Holder of the Series 2007 A Bonds to be redeemed, official notice of any redemption shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the applicable Bond Insurer, the Original Purchaser, and the registered owner of the Series 2007 A Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

So long as DTC (as CEDE & CO.) is the registered Owner of the Series 2007 A Bonds, the Registrar shall send all notices of redemption to DTC and shall verify that DTC has received notice. Copies of all redemption notices shall also be sent to registered securities depositories, nationally recognized municipal securities information repositories and to *Standard & Poor's Called Bond Record.*

All official notices of redemption shall be dated and shall state:

(1) The Redemption Date,

(2) The Redemption Price,

(3) If less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,

(4) That on the Redemption Date the Redemption Price and interest accrued will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date,

(5) The place where such Bonds are to be surrendered for payment of the Redemption Price, which place of payment shall be the principal office of the Registrar, and

(6) Such other information, if any, as shall be required for DTC-Eligible Bonds.

If funds sufficient to redeem all Series 2007 A Bonds called for optional redemption have not been deposited with the Paying Agent at the time of mailing any notice of optional redemption, such notice shall also state that such optional redemption is subject

to the deposit of such monies with the Paying Agent on or before the Redemption Date. If such monies are not so deposited, the Registrar shall notify all holders of Series 2007 A Bonds called for redemption of such fact.

Official notice of redemption having been given as aforesaid, the Series 2007 A Bonds, or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Series 2007 A for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the Redemption Price. Installments of interest due on or prior to the Redemption Date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of the same maturity in the amount of the unpaid principal of such Bond. All Series 2007 A Bonds which have been redeemed shall be canceled and destroyed by the Bond Registrar and shall not be reissued.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of Series 2007 A Bonds, and failure to mail such notice shall not affect the validity of proceedings for the redemption of any portion of Bonds for which there was no such failure.

Section 3.08. Persons Treated as Owners. The Issuer, the Registrar and any agent of the Issuer or the Registrar may treat the person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of the principal of, and interest on, such Bond and (except as provided in Section 6.18) for all other purposes, whether or not such Bond is overdue.

Section 3.09. Temporary Bonds. Until Bonds of any series in definitive form are ready for delivery, the Issuer may execute and the Registrar shall authenticate, register, if applicable, and deliver, subject to the same provisions, limitations and conditions set forth in this Article III, one or more printed, lithographed or typewritten Bonds in temporary form, substantially in the form of the definitive Bonds of such series, with appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the lien and benefit created under this Ordinance. Upon the presentation and surrender of any Bond or Bonds in temporary form, the Issuer shall, without unreasonable delay, prepare, execute and deliver to the Registrar, and the Registrar shall authenticate, register, if applicable, and deliver, in exchange therefor, a Bond or Bonds in definitive form. Such exchange shall be made by the Registrar without making any charge therefor to the Holder of such Bond in temporary form.

Section 3.10. Series 2007 A Bonds. For the purposes of paying costs of acquisition and construction of improvements and betterments to the System, partially funding the Series 2007 A Bonds Reserve Account and paying costs in connection therewith,

there shall be issued the Series 2007 A Bonds of the Issuer, in an aggregate principal amount of not more than $3,500,000. Said Series 2007 A Bonds shall be designated "Water Revenue Bonds, Series 2007 A," or such other designation as may be appropriate for the year and sequence of the issue, as may be set forth in a Supplemental Resolution, and shall be issued in fully registered form, in the denomination of $5,000 or any integral multiple thereof for any period of maturity, not exceeding the aggregate principal amount of Series 2007 A Bonds maturing in the period of maturity for which the denomination is to be specified. The Series 2007 A Bonds shall be numbered from BR-1 consecutively upward. The Series 2007 A Bonds shall be dated; shall be in such aggregate principal amount (not to exceed $3,500,000); shall bear interest at such rate or rates, not exceeding the then legally permissible rate (not to exceed 9%), payable semiannually on such dates; shall mature on such dates (which may be annual or semi-annual) (not to exceed 35 years) and in such amounts; shall be subject to such mandatory and optional redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein and in the Supplemental Resolution.

Section 3.11. Book Entry System for Series 2007 A Bonds.

A. The Series 2007 A Bonds shall each initially be issued in the form of one fully-registered bond for the aggregate principal amount of the Series 2007 A Bonds of each maturity, registered in the name of CEDE & CO., as nominee of DTC. Except as provided in paragraph E below, all of the Series 2007 A Bonds shall be registered in the registration books kept by the Registrar in the name of CEDE & CO., as nominee of DTC; provided that if DTC shall request that the Series 2007 A Bonds be registered in the name of a different nominee, the Registrar shall exchange all or any portion of the Series 2007 A Bonds registered in the name of such nominee or nominees. No person other than DTC or its nominee shall be entitled to receive from the Issuer or the Registrar either a Series 2007 A Bond or any other evidence of ownership of the Series 2007 A Bonds, or any right to receive any payment in respect thereof unless DTC or its nominee shall transfer record ownership of all or any portion of the Series 2007 A Bonds on the registration books maintained by the Registrar, in connection with discontinuing the book entry system as provided in paragraph E below.

B. At or prior to settlement for the Series 2007 A Bonds, the Issuer and the Registrar shall execute or signify their approval of a representation letter addressed to DTC in a form satisfactory to DTC (the "Representation Letter"). Any successor Registrar shall, in its written acceptance of its duties under this Ordinance, agree to take any actions necessary from time to time to comply with the requirements of the Representation Letter.

C. So long as the Series 2007 A Bonds or any portion thereof are registered in the name of DTC or any nominee thereof, all payments of the principal or Redemption Price of or interest on such Series 2007 A Bonds shall be made to DTC or its nominee at the addresses set forth in the Representation Letter in New York Clearing House or equivalent next day funds on the dates provided for such payments to be made to any Bondholder under this Ordinance. Each such payment to DTC or its nominee shall be valid and effective to fully discharge all liability of the Issuer and the Registrar with respect to the principal or

Redemption Price of or interest on the Series 2007 A Bonds to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Series 2007 A Bonds Outstanding of any maturity, the Registrar shall not require surrender by DTC of the Series 2007 A Bonds so redeemed, but DTC may retain such Series 2007 A Bonds and make an appropriate notation on the Series 2007 A Bonds certificate as to the amount of such partial redemption; provided that DTC shall deliver to the Registrar, upon request, a written confirmation of such partial redemption. The records maintained by the Registrar shall be conclusive as to the amount of the Series 2007 A Bonds of such maturity which have been redeemed.

D. The Issuer, the Paying Agent and the Registrar may treat DTC as the sole and exclusive owner of the Series 2007 A Bonds registered in its name or the name of its nominee for the purposes of payment of the principal or Redemption Price of or interest on the Series 2007 A Bonds, selecting the Series 2007 A Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Ordinance, registering the transfer of Series 2007 A Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever; and neither the Issuer nor the Registrar shall be affected by any notice to the contrary. Neither the Issuer nor the Registrar shall have any responsibility or obligation to any direct or indirect participant in DTC, any person claiming a beneficial ownership interest in the Series 2007 A Bonds under or through DTC or any such participant, or any other person which is not shown on the registration books of the Registrar as being a Bondholder with respect to (i) the Series 2007 A Bonds, (ii) the accuracy of any records maintained by DTC or any such participant, (iii) the payment by DTC or any such participant of any amount in respect of the principal or Redemption Price of or interest on the Series 2007 A Bonds, (iv) any notice which is permitted or required to be given to Bondholders under this Ordinance, (v) the selection by DTC or any such participant of any person to receive payment in the event of a partial redemption of the Series 2007 A Bonds, or (vi) any consent given or other action taken by DTC as Bondholder.

E. The book entry system for registration of the ownership of the Series 2007 A Bonds may be discontinued at any time if either: (i) DTC determines to resign as securities depository for the Series 2007 A Bonds; or (ii) the Issuer determines that continuation of the system of book entry transfers through DTC (or through a successor securities depository) is not in the best interest of the beneficial owners of the Series 2007 A Bonds. In either of such events (unless in the case described in clause (iii) above, the Issuer appoints a successor securities depository), the Series 2007 A Bonds shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Issuer or the Registrar for the accuracy of such designation. Whenever DTC requests the Issuer and the Registrar to do so, the Issuer and the Registrar shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Series 2007 A Bonds.

Section 3.13. Delivery of Series 2007 A Bonds. The Issuer shall execute and deliver the Series 2007 A Bonds to the Registrar, and the Registrar shall authenticate, register and deliver the Series 2007 A Bonds to the Original Purchaser upon receipt of the documents set forth below:

(1) If not registered in the name of DTC or its nominee, a list of the names in which the Series 2007 A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Registrar may reasonably require;

(2) A request and authorization to the Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2007 A Bonds to DTC for the benefit of the Original Purchaser;

(3) Copies, certified by the Recorder, of this Ordinance and the Supplemental Resolution;

(4) The unqualified approving opinion upon the Series 2007 A Bonds by Bond Counsel; and

(5) Such other opinions, certificates and documents as shall be reasonably requested by the Original Purchaser.

Section 3.14. Form of Series 2007 A Bonds. The definitive Series 2007 A Bonds shall be in substantially the form set forth in EXHIBIT A - SERIES 2007 A BOND FORM attached hereto and incorporated herein by reference, with such necessary and appropriate omissions, insertions and variations as are approved by those officers executing such Series 2007 A Bonds on behalf of the Issuer and execution thereof by such officers shall constitute conclusive evidence of such approval, and the definitive Series 2007 A Bonds shall have the form of the opinion of Steptoe & Johnson PLLC, as Bond Counsel, attached thereto ~~or printed on the reverse thereof~~.

Section 3.15. Disposition of Proceeds of Series 2007 A Bonds. Upon the issuance and delivery of the Series 2007 A Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

1. All interest accrued on the Series 2007 A Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2007 A Bonds Sinking Fund and applied to payment of interest on the Series 2007 A Bonds at the first interest payment date, if any.

2. An amount of the proceeds of the Series 2007 A Bonds equal to the amount, if any, set forth in the Supplemental Resolution shall be remitted to the Bond Commission for deposit in the Series 2007 A Bonds Reserve Account, provided that, to the extent the Series 2007 A Bonds Reserve Requirement is satisfied in whole or in part from a

reserve account letter of credit, surety bond or other credit facility, proceeds of the Series 2007 A Bonds shall be deposited in the Series 2007 A Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2007 A Bonds Reserve Requirement.

3. The amount of Series 2007 A Bond proceeds which, together with other monies or securities deposited therein shall be equal to the Costs of Issuance of the Series 2007 A Bonds shall be deposited with the Depository Bank in the Series 2007 A Bonds Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the Series 2007 A Bonds at the written direction of the Issuer. Monies not to be applied immediately to pay such costs of issuance may be invested in accordance with this Ordinance, subject however, to applicable yield restrictions as may be in effect under the Code. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 120 days following the Closing Date for the Series 2007 A Bonds, such unapplied proceeds shall be transferred by the Issuer to the Series 2007 A Bonds Sinking Fund established in Section 4.01 hereof and applied to the next ensuing payment of interest on the Series 2007 A Bonds. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such monies until so applied in favor of the Holders of the Series 2007 A Bonds from which such proceeds are derived.

4. The balance of Series 2007 A Bonds proceeds, if any, shall be deposited in the Series 2007 A Bonds ~~Acquisition and~~ Construction Fund and disbursed as provided in Section 3.16~~(A)~~ hereof.

Section 3.16. Disbursements from the Construction Fund.

A. Disbursements from the Series 2007 A Bonds Construction Fund, except for payment of Costs of Issuance of the Series 2007 A Bonds in excess of the monies available in the Costs of Issuance Fund which shall be made upon request of the Issuer, shall be made only for design, acquisition and construction of improvements, repairs and replacements for the System, including all necessary engineering and other professional services relating thereto. Pending such application, monies in the Series 2007 A Bonds Construction Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE IV

SYSTEM REVENUES; FUNDS AND ACCOUNTS

Section 4.01. Establishment of Funds and Accounts with Depository Bank. Pursuant to this Article IV, the following special funds are created with, and shall be held by, the Depository Bank, segregated from all other funds and accounts of the Depository Bank or the Issuer and from each other (except as set forth in this Section 4.01), and used solely for the purposes provided herein:

(1) Revenue Fund;

(2) Renewal and Replacement Fund;

(3) Series 2007 A Bonds Costs of Issuance Fund;

(4) Series 2007 A Bonds Construction Fund; and

(5) Rebate Fund.

Section 4.02. Establishment of Funds and Accounts with Bond Commission. Pursuant to this Article IV, the following special fund and accounts are hereby established with and shall be held by the Bond Commission:

(1) Series 2007 A Bonds Reserve Account; and

(2) Series 2007 A Bonds Redemption Account;

Section 4.03. System Revenues and Application Thereof. So long as any of the Series 2007 A Bonds shall be Outstanding and unpaid, the Issuer covenants as follows:

A. The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited by the Issuer in the Revenue Fund. The Revenue Fund shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. All Revenues at any time remaining on deposit in the Revenue Fund shall be disposed of only in the following manner and order of priority:

(1) The Issuer shall first, from the monies in the Revenue Fund, on the first day of each month, simultaneously remit to the Commission (i) the amounts required by the Prior Ordinances to be deposited in the First Lien Bonds Sinking Funds for payment of interest on the First Lien Bonds; and (ii) beginning on the first day of that month which is 6 months prior to the first interest payment date on the Series 2007 A Bonds, apportion and set apart out of the Revenue Fund and deposit in the Series 2007 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 2007 A Bonds on the next ensuing semiannual interest payment date,

provided, that in the event the period to elapse between the date of such initial deposit in the Series 2007 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date, and provided further, that the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2007 A Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2007 A Bonds deposited therein, if any, and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2007 A Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2007 A Bonds Sinking Fund.

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) the amounts required by the Prior Ordinances to be deposited in the First Lien Bonds Sinking Funds for payment of principal on the First Lien Bonds; and (ii) for deposit in the Series 2007 A Bonds Sinking Fund (and in the Series 2007 A Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed) on the first day of each month, beginning on the first day of that month which is 12 months prior to the first principal payment or mandatory Redemption Date of the Series 2007 A Bonds, a sum equal to 1/12th of the amount (or 1/6th of the amount if the Series 2007 A Bonds mature semiannually rather than annually) of principal which will mature or be redeemed and become due on the Series 2007 A Bonds on the next ensuing principal payment or mandatory Redemption Date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2007 A Bonds Sinking Fund and the next ensuing principal payment or mandatory Redemption Date is less than or greater than 12 months (or 6 months if the Series 2007 A Bonds mature semiannually rather than annually), then such monthly payments shall be increased or decreased proportionately to provide, one month prior to the next ensuing principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2007 A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) the amounts required by the Prior Ordinances to be deposited in the First Lien Bonds Reserve Accounts for the First Lien Bonds; and (ii) commencing 13 months prior to the first date of payment of principal of the Series 2007 A Bonds or upon completion of construction of the Project, whichever is earlier, if not fully funded upon issuance of the Series 2007 A Bonds, for deposit in the Series 2007 A Bonds Reserve Account, an amount equal to 1/120th of the

Series 2007 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2007 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2007 A Bonds Reserve Requirement; provided further, that if the amounts in the Series 2007 A Bonds Reserve Account, as a result of a decrease in value of the Series 2007 A Bonds Reserve Account below the Series 2007 A Reserve Account Requirement or any withdrawal from the Series 2007 A Bonds Reserve Account, the Issuer shall apply such monies for deposit into the Series 2007 A Bonds Reserve Act, beginning with the first full calendar month following the date on which (i) the valuation of investments in the Series 2007 A Bonds Reserve Account results in a determination that the amount of monies and the value of the Qualified Investments deposited to the credit of the Series 2007 A Bonds Reserve Account is less than the Series 2007 A Reserve Account Requirement.

Amounts in the Series 2007 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2007 A Bonds when due, when amounts in the Series 2007 A Bonds Sinking Fund are insufficient therefor and for no other purpose.

~~(4) Thereafter from the monies remaining in the Revenue Fund, the Issuer shall next, each month, transfer from the Revenue Fund an amount sufficient to pay current Operating Expenses of the System.~~

(~~5~~4) The Issuer shall next, on the first day of each month, transfer from the monies remaining in the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund (as previously set forth in the Prior Ordinances and not in addition thereto), a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Subject to the restrictions contained in the Prior Ordinances, so long as the Prior Bonds are outstanding, withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, or improvements or extensions to the System; provided, that any deficiency in any Reserve Account, except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof, shall be promptly eliminated with monies from the Renewal and Replacement Fund.

~~(6) The issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Commission the amounts required to pay interest, if any, on, and principal of, the Second Lien Bonds.~~

~~(7)~~ 5) The Issuer shall next, on the first day of ~~each~~ month, transfer from the Revenue Fund and ~~remit~~pay to the Commission the amounts required by the Prior Ordinances to be deposited in the ~~reserve accounts~~Second Lien Bonds Sinking Funds for payment of principal on the Second Lien Bonds.

(6) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and pay to the Commission the amounts required by the Prior Ordinances to be deposited in the Second Lien Bonds Reserve Accounts.

(7) Thereafter, the Issuer shall, each month, pay from the Revenue Fund current Operating Expenses of the System.

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

B. The Bond Commission is hereby designated as the fiscal agent for the administration of the Series 2007 A Bonds Sinking Fund created hereunder, and all amounts required for said Sinking Fund shall be remitted to the Bond Commission from said Revenue Fund and from the proceeds of the sale of the Series 2007 A Bonds, by the Issuer at the times and as otherwise provided herein. All remittances made by the Issuer to the Bond Commission shall clearly identify the fund or account into which each amount is to be deposited.

C. The monies on deposit in the Revenue Fund and the Renewal and Replacement Fund in excess of the sum insured by the FDIC shall at all times be secured, to the full extent thereof in excess of such insured sum, by Government Obligations or by other Qualified Investments as shall be eligible as security for deposits of municipal funds under the laws of the State.

D. Principal, interest or reserve payments, whether for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the ~~Prior~~First Lien Bonds, and the Series 2007 A Bonds and prior to the Second Lien Bonds, all in accordance with the respective principal amounts then Outstanding.

ARTICLE V

INVESTMENTS; NON-ARBITRAGE; REBATES OF EXCESS INVESTMENT EARNINGS

———Section 5.01. Investments. The Issuer shall invest and reinvest, and shall instruct the Bond Commission and the Depository Bank to invest and reinvest, any monies held as a part of the funds and accounts created by this Ordinance in Qualified Investments to the fullest extent possible under applicable laws, this Ordinance, the need for such monies 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 monies were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The Issuer shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Issuer may make any and all investments permitted by this section through the bond department of the Depository Bank. The Depository Bank shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

———The following specific provisions shall apply with respect to any investments made under this section (unless otherwise required by the Bond Insurer and as set forth in the Supplemental Resolution):

(A) Qualified Investments acquired for the Series 2007 A Bonds Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 5 years from the date of such investment.

(B) The Issuer shall, or shall cause the Bond Commission to, annually transfer from the Series 2007 A Bonds Reserve Account to the Sinking Fund any earnings on the monies deposited therein and any other funds in excess of the Series 2007 A Bonds Reserve Requirement, provided, however, that there shall at all times remain on deposit in the Series 2007 A Bonds Reserve Account an amount at least equal to the Series 2007 A Bonds Reserve Requirement.

(C) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a

withdrawal from the Series 2007 A Bonds Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2007 A Bonds Reserve Account shall, at any time, be less than the applicable Series 2007 A Bonds Reserve Requirement, the applicable Bond Insurer shall be notified immediately of such deficiency, and such deficiency shall be made up from the first available Gross Revenues after required deposits to the Sinking Fund and otherwise in accordance with Section 4.03(3).

(D) All amounts representing accrued interest, if any, shall be held by the Bond Commission, pledged solely to the payment of interest on the Series 2007 A Bonds, and invested only in Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(E) Notwithstanding the foregoing, all monies deposited in the Series 2007 A Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia Board of Treasury Investments pursuant to Chapter 12, Article 6(c) of the Code of West Virginia, 1931, as amended.

Section 5.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Series 2007 A Bonds in such manner and to such extent as may be necessary, so that such the Series 2007 A Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations prescribed thereunder, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of Federal information returns with respect to the Series 2007 A Bonds) so that the interest on the Series 2007 A Bonds will be and remain excluded from gross income for Federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 5.03. Tax Certificate and Rebate. A. The Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the Series 2007 A Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Series 2007 A Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Ordinance.

B. The Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code for the Series 2007 A Bonds. Upon completion

of each such annual calculation, the Issuer shall deposit, or cause to be deposited, in the Rebate Fund such sums as are necessary to cause the aggregate amount on deposit in the Rebate Fund to equal the sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. Notwithstanding anything herein to the contrary, the Rebate Fund shall be held free and clear of any lien or pledge hereunder and used only for payment of rebatable arbitrage to the United States. The Issuer shall pay, or cause to be paid, to the United States, from the Rebate Fund or from the Gross Revenues in the event that the Rebate Fund is insufficient therefor, the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. In the event that there are any amounts remaining in the Rebate Fund following all such payments required by the preceding sentence, the Depository Bank shall pay said amounts to the Issuer to be used for any lawful purpose of the System. The Issuer shall remit payments to the United States at the time and the address prescribed by the Regulations as the same may be in time to time in effect with such reports and statements as may be prescribed by such Regulations. In the event that, for any reason, amounts in the Rebate Fund are insufficient to make the payments to the United States which are required, the Issuer shall assure that such payments are made by the Issuer to the United States, on a timely basis, from any funds lawfully available therefor. The Issuer at its expense, may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer may deem appropriate in order to assure compliance with this Section 5.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 5.03 in accordance with the requirements of Section 148(f) of the Code and such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay the required rebate amounts, and any and all penalties and other amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Series 2007 A Bonds from gross income for federal income tax purposes.

Section 5.04. Continuing Disclosure Agreement The Issuer shall deliver a continuing disclosure agreement or certificate in form acceptable to the Original Purchaser sufficient to ensure compliance with SEC Rule 15c2-12, as it may be amended from time to time, and the Issuer hereby instructs the Mayor to take all actions necessary for the Issuer to comply with the continuing disclosure agreement.

ARTICLE VI

ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01. Covenants Binding and Irrevocable. All the covenants, agreements and provisions of this Ordinance shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2007 A Bonds, as prescribed by Article VII. In addition to the other covenants, agreements and provisions of this Ordinance, the Issuer hereby covenants and agrees with the Holders of the Series 2007 A Bonds, as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2007 A Bonds or the interest thereon, are Outstanding and unpaid.

Section 6.02. Bonds not to be Indebtedness of the Issuer. The Series 2007 A Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness but shall be payable solely from the Gross Revenues of the System, the monies in the Series 2007 A Bonds Sinking Fund and all accounts therein, the unexpended proceeds of the Series 2007 A Bonds or monies in a eConstruction fFund, if any, all as herein provided. No Holder or Holders of any Series 2007 A Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Series 2007 A Bonds or the interest thereon.

Section 6.03. Bonds Secured by Pledge of Gross Revenues and Monies in Sinking Fund. The payment of the debt service of all of the Series 2007 A Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Gross Revenues derived from the operation of the System on a parity with one another and with the lien on the Gross Revenues in favor of the Holders of the First Lien Bonds, and senior and prior to the lien on said Gross Revenues ~~in tax or~~ of the Holders of the Second Lien Bonds, and in the instance of the Series 2007 A Bonds, all monies and securities in the Series 2007 A Sinking Fund, including the Series 2007 A Bonds Reserve Account therein, to the extent necessary to make the payments required under Section 4.03. The Gross Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Prior Bonds and the Series 2007 A Bonds herein authorized, and to make the payments into the Series 2007 A Bonds Sinking Fund, all monies and securities in the Series 2007 A Bonds Sinking Fund, including the Series 2007 A Bonds Reserve Account therein, 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 Prior Bonds and the Series 2007 A Bonds herein authorized as the same become due and for the other purposes provided in this Ordinance.

Section 6.04. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Recorder, which copies will be open to inspection by all interested parties. The schedule of

rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2007 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to ~~or~~, on a parity with or subordinate to the Series 2007 A Bonds, including the Prior Bonds.

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

Section 6.05. Completion of Project; Operation and Maintenance. The Issuer will complete the Project as promptly as possible. The Issuer will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the Revenues of said System in the manner provided in this Ordinance.

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

Section 6.06. Sale of the System . So long as the Prior Bonds are Outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, except as provided by the Prior Ordinances. Additionally, so long as the Series 2007 A Bonds are Outstanding, the System may be sold, mortgaged, leased or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to defease the pledge created by this Ordinance as provided by Section 9.01. The proceeds from such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Bond Commission for deposit in the Series 2007 A Bonds Sinking Fund, and otherwise as prescribed by Section 9.01. Any balance remaining after such defeasance shall be remitted to the Issuer by the Bond Commission unless necessary for the payment of other obligations of the Issuer payable out of the Revenues of the System.

The foregoing provision notwithstanding, the ~~Board~~Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor is not in excess of $50,000, the ~~Board~~Issuer shall, in writing, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the ~~Board~~Issuer may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Revenue Fund. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of $50,000 but not in excess of $200,000, the ~~Board~~Issuer shall first, in writing, determine with the written approval of the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the ~~Board~~Issuer may then, if it be so advised, by resolution duly adopted, approve and concur in such finding and authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds derived from any such sale, lease or other disposition of such property, in excess of $50,000 and not in excess of $200,000, shall be deposited by the Issuer into the Renewal and Replacement Fund. Such payments of such proceeds into the Renewal and Replacement Fund shall reduce the amounts required to be paid into said funds by other provisions of this Ordinance.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom shall be in excess of $200,000 and insufficient to defease the pledge created by this Ordinance, as provided by Section 9.01, without the prior approval and consent in writing of any applicable Bond Insurer and the Holders, or their duly authorized representatives, of 60% in amount of Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the Bond Insurer and the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 6.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. The Issuer shall not issue any other obligations whatsoever, except Additional Parity Bonds provided for in Section 6.08 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 the Gross Revenues with the Series 2007 A Bonds; and all obligations hereafter issued by the Issuer payable from the Revenues of the System, except such Additional Parity Bonds, shall contain an express statement that such obligations are junior and subordinate as to lien on and source of and security for payment from such Revenues and in all other respects to the Series 2007 A Bonds.

The Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or, except with respect to such Additional Parity Bonds, being on a parity with the lien of the Series 2007 A Bonds, and the interest thereon, upon any of the income and Revenues of the System pledged for payment of the Series 2007 A Bonds and the interest thereon in this Ordinance or upon the System or any part thereof.

Section 6.08. Additional Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Ordinances shall be applicable. In addition, no additional Parity Bonds, as in this section defined, payable out of the Revenues of the System shall be issued after the issuance of any Bonds pursuant to this Ordinance, except under the conditions and in the manner herein provided.

No such Additional Parity Bonds shall be issued except for the purpose of financing the costs of design, acquisition or construction of additions, betterments or improvements to the System, refunding all or a portion of one or more series of Bonds issued pursuant hereto or the Prior Bonds, to pay claims which may exist against the revenues or facilities of the System, or all of such purposes.

No such Additional Parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Recorder a written statement by an Independent Accountant, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months within the 18 months immediately preceding the date of the actual issuance of such Additional Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the date of issuance of such Additional Parity Bonds, shall be not less than 115% of the Maximum Annual Debt Service on the following:

(1) The Series 2007 A Bonds then Outstanding;

(2) The Prior Bonds Outstanding;

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

(4) The Additional Parity Bonds then proposed to be issued.

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

The Net Revenues actually derived from the System during the 12 consecutive month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent Accountant, as stated in a certificate on account of increased rates, rentals, fees and charges

for the System enacted by the Issuer, the time for appeal of which shall have expired (without successful appeal) prior to issuance of such Additional Parity Bonds.

Not later than ~~ten (10) days after~~simultaneously with the delivery of such Additional Parity Bonds, the Issuer shall have entered into written contracts for the immediate design, construction or acquisition of such additions, extensions, betterments or improvements, if any, to the System which are to be financed by such Additional Parity Bonds.

The term "Additional Parity 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 Gross Revenues of the System on a parity with the Series 2007 A Bonds and the Prior Bonds, and all the covenants and other provisions of this Ordinance (except as to details of such Additional Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Series 2007 A Bonds and the Prior Bonds and the Holders of any Additional Parity Bonds theretofore or subsequently issued from time to time within the limitations of and in compliance with this section. All the 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 Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Ordinance required for and on account of such Additional Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Ordinance.

No Additional Parity Bonds shall be valid unless authenticated pursuant to Section 3.03. Prior to such authentication, registration, if applicable, and delivery, the Registrar shall receive those documents prescribed by Section 3.12 with respect to the Series 2007 A Bonds, modified as deemed necessary by the Registrar to reflect the issuance of such additional parity Bonds.

The term "Additional Parity Bonds," as used in this section, shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien on the Revenues of the System of which is subject to the prior and superior lien of the Bonds on such Revenues. Any such subordinate bonds, notes, certificates or other obligations shall be payable from the Gross Revenues remaining after all payments required to be made pursuant to Section 4.03(1), (2) and (3) have first been paid. The Issuer shall not issue any obligations whatsoever payable from the Revenues of the System, or any part thereof, which rank prior to or equally, as to lien and source of and security for payment from such Revenues, with the Series 2007 A Bonds except in the manner and under the conditions provided in this section.

No Additional Parity Bonds, as in this section defined, shall be issued at any time, however, unless all of the payments into the respective funds and accounts provided for in this Ordinance on account of the Bonds then Outstanding (excluding the Renewal and Replacement Fund) and the Prior Bonds, and any other payments provided for in this Ordinance, shall have been made in full as required to the date of delivery of the Additional

Parity Bonds and the Issuer shall then be in full compliance with all the covenants, agreements and terms in the Ordinance and every ordinance supplemental thereto, or shall have fully corrected any delinquency or deficiency with respect to such payments and compliance.

The Issuer may issue Additional Parity Bonds without compliance with any other conditions for the purpose of refunding prior to maturity any series of the Series 2007 A Bonds or portion thereof, provided that the annual debt service required on account of the refunding Bonds and the Series 2007 A Bonds which are not refunded shall not be greater in any year in which the Series 2007 A Bonds not refunded and the refunding Bonds are to be Outstanding than the annual debt service required in such year if the Series 2007 A Bonds to be refunded were not so refunded and provided further, that the final maturity of such Additional Parity Bonds does not exceed that of the refunded Bonds.

Section 6.09. Insurance and Bonds. The Issuer hereby covenants and agrees, that so long as the Series 2007 A Bonds remain Outstanding, the Issuer ~~or the Board~~ will, as an Operating Expense, procure, carry and maintain insurance and bonds and worker's compensation coverage with a reputable insurance carrier or carriers or bonding company or companies rated at least "A" by Standard & Poor's Corporation covering the following risks and in the following amounts:

A. FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the greater of the fair appraised value or the original cost thereof. In the event of any damage to or destruction of any portion of the System, the ~~Board~~Issuer will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damages or destroyed portion. The ~~Board~~Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of ~~the Board and~~ the Issuer during construction of the Project in the full insurable value thereof.

B. PUBLIC LIABILITY INSURANCE, with limits of not less than is customarily carried by municipalities of equivalent size with respect to works and properties similar to the System to protect the Issuer ~~and the Board~~ from claims for bodily injury and/or death and from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer ~~and the Board~~ from claims arising out of operation or ownership of motor vehicles of or for the System, provided that, the ~~Board~~Issuer, with the review of an insurance consultant and the concurrence of the Issuer, may elect to self-insure, so long as the following requirements are met:

(i) The self-insurance program has been reviewed by an insurance consultant;

(ii) The self-insurance program includes an actuarially sound claims reserve fund out of which each self-insured claim shall be paid; the adequacy of such fund shall be evaluated on an

annual basis by an insurance consultant; and any deficiencies in any self-insured claims reserve fund will be remedied in accordance with the recommendation of the insurance consultant;

(iii) The self-insured claims reserve fund shall be held in the United States of America in a separate trust fund by an independent corporate trustee; and

(iv) In the event the current funding of the self-insurance program shall be discontinued, the actuarial soundness of its claims reserve fund, as determined by an insurance consultant, shall be maintained.

If the Issuer determines in good faith that any required insurance is not commercially available at a reasonable cost with reasonable terms, it shall engage an insurance consultant to verify the determination and to make recommendations regarding the types, amounts and provisions of any such insurance that should be purchased or funded by the Issuer, taking into consideration the costs and practices of other municipal water and sewer systems of similar size and type in the State to the extent that such information is available. The Issuer may, upon resolution adopted in good faith and upon the recommendations of the insurance consultant, adopt alternate or supplemental risk management programs which the Issuer determines to be reasonable, including the right to self-insure and participate in captive insurance companies.

C. WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT OR COMPLETION BONDS, such bonds to be in the amounts of not less than 100% of the amount of any construction contract and to be required of each contractor dealing directly with the ~~Board~~Issuer and such payment bonds will be filed with the ~~Clerk~~Recorder of the County Commission of Hardy County prior to commencement of construction of any additions, extensions or improvements for the System in compliance with West Virginia Code, Section 38-2-39.

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

Section 6.10. Services Rendered to the ~~Board or~~ Issuer. The ~~Board~~Issuer will not render or cause to be rendered any free services of any nature by its System; and, in the event ~~the Board,~~ the Issuer or any department, agency, instrumentality, officer or employee thereof 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 ~~Board, the~~ Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and ~~the Board or~~ the Issuer 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 6.11. Enforcement of Collections. The Issuer ~~or the Board~~ will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 20 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid and to the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, all delinquent rates, rentals and other changes, if not paid, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services and facilities of the System and any services and facilities of the Issuer's waterworks system, to all delinquent users of services and facilities of the System and will not restore such services of the System (or waterworks system) until all billing for charges for the services and facilities of the System, plus penalty charges for the restoration of service, has been fully paid or an appropriate payment plan has been established.

Section 6.12. No Competing Franchise. To the extent legally allowable, ~~neither~~ the Issuer ~~nor the Board~~ will 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 whatsoever for the providing of any services which would compete with services provided by the System.

Section 6.13. Books and Records. The ~~Board~~Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of ~~the Board or~~ the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Series 2007 A Bond, shall have the right at all reasonable times to inspect the System, and all parts thereof, and all records, accounts and data of the ~~Board~~Issuer relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles, to the extent allowable under and in accordance with the rules and regulations of the Public Service Commission of West Virginia and the Act. Separate control accounting records shall be maintained by the ~~Board~~Issuer. Subsidiary records as may be required shall be kept in the manner, on the forms, in the books and along with other bookkeeping records as prescribed by the ~~Board~~Issuer. The ~~Board~~Issuer shall prescribe and institute the manner by which subsidiary records of the accounting system which may be

installed remote from the direct supervision of the ~~Board~~Issuer shall be reported to such agent of the ~~Board~~Issuer as it shall direct.

The Issuer ~~or the Board~~ shall file with the Original Purchaser and any Bond Insurer, and shall mail to any Bondholder requesting the same, an annual report within 30 days following the date of receipt of the final audit containing a balance sheet, statement of revenues, expenses, and changes in retained earnings, and statement of cash flows, as prescribed by generally accepted accounting principles.

The Issuer ~~or the Board~~ shall also file with the Original Purchaser and any Bond Insurer, and mail to any Bondholder requesting the same, a monthly unaudited report within 30 days following the end of each month containing the following:

(A) A statement of Gross Revenues, Operating Expenses, and Net Revenues derived from the System; and

(B) A statement of account balances in the Sinking Fund accounts provided for in this Ordinance and status of said funds.

The Issuer ~~or the Board~~ shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by an Independent Accountant, shall mail upon request, and make available generally, the report of said Independent Accountant, or a summary thereof, to any Holder or Holders of Series 2007 A Bonds issued pursuant to this Ordinance and shall file said report with the Original Purchaser.

Section 6.14. Operating Budget. The~~Board~~Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, or at such earlier date required by the charter of the Issuer, prepare and adopt by resolution a detailed budget of the estimated expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of such a registered professional engineer that such increased expenditures are necessary for the continued operation of the System. The ~~Board~~Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Original Purchaser and the Bond Insurer, if any, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Original Purchaser and to any Bondholder or anyone acting for and in behalf of such Bondholder who requests the same.

~~Section 6.15. Mandatory Connections. The mandatory use of the sewerage portion of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer, and in order to assure the rendering harmless of sewage and waterborne waste matter produced or arising within the territory served by the sewerage portion of the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with~~

~~and use the sewerage portion of the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such house, dwelling or building and every such owner, tenant or occupant shall, after a 30 day notice of the availability of sewerage services of the System, pay the rates and charges established therefor.~~

~~Any such house, dwelling or building from which emanates sewage or waterborne waste matter and which is not so connected with the sewerage portion of the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the residents of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.~~

Section 6.1~~6~~5. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2007 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon the issuance of the Series 2007 A Bonds and shall be on a parity with one another and with the statutory mortgage lien in favor of the Holders of the ~~Prior~~First Lien Bonds and senior to the Second Lien Bonds.

Section 6.1~~7~~6. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Series 2007 A Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Series 2007 A Bonds during the term thereof is, under the terms of the Series 2007 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) in the event that both (A) in excess of 5% of the Net Proceeds of the Series 2007 A Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Series 2007 A Bonds during the term thereof is, under the terms of the Series 2007 A Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Series 2007 A Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the System, or if the Series 2007 A Bonds are for the purpose of financing more than one project, a portion of the System, and shall not exceed the proceeds used for the governmental use of that portion of the System to which such Private Business Use is related. This covenant is not applicable to the Series 2003 A Bonds.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Series 2007 A Bonds or $5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2007 A Bonds to be directly or indirectly "federally guaranteed" within the meaning of Section 149(b) of the Code and Regulations promulgated thereunder.

D. INFORMATION RETURN. The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 2007 A Bonds and the interest thereon, including without limitation, the information return required under Section 149(e) of the Code.

E. FURTHER ACTIONS. The Issuer will take all actions that may be required of it so that the interest on the Series 2007 A Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 6.187. Designation of Series 2007 A Bonds as "Qualified Tax-Exempt Obligations." The Issuer hereby designates the 2007 A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Code and covenants that the 2007 A Bonds do not constitute private activity bonds as defined in Section 141 of the Code, and that not more than $10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income tax purposes (excluding, however, obligations issued to currently refund any obligation of the Issuer to the extent the amount of the refunding obligation does not exceed the amount of the refunded obligation and private activity bonds, as defined in Section 141 of the Code, other than qualified 501(c)(3) bonds as defined in Section 145 of the Code), including the 2007 A Bonds, have been or shall be issued by the Issuer, including all subordinate entities of the Issuer, during the calendar year 2007, all as determined in accordance with the Code.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2007 A Bonds:

(A) If default occurs in the due and punctual payment of the principal of or interest on any Bond;

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part in this Ordinance or any Supplemental Resolution or in the Series 2007 A Bonds contained, and such default shall have continued for a period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer by any Bondholder or any Insurer; or

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

(D) If default occurs with respect to the Prior Bonds or the Prior Ordinances.

Section 7.02. Enforcement. Upon the happening and continuance of any Event of Default, any Bondholder (with the prior written consent of the applicable Bond Insurer) or any Bond Insurer may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular:

(A) Bring suit for any unpaid principal or interest then due;

(B) By mandamus or other appropriate proceeding enforce all rights of the Bondholders, including the right to require the Issuer to perform its duties under the Act and this Ordinance;

(C) Bring suit upon the Series 2007 A Bonds;

(D) By action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Bondholders; and

(E) By action or bill in equity enjoin any acts in violation of this Ordinance or the rights of the Bondholders.

No remedy by the terms of this Ordinance conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, but each and every such

remedy shall be cumulative and shall be in addition to any other remedy given to the Bondholders hereunder or now or hereafter existing at law or by statute. All rights and remedies of the Holders of the Series 2007 A Bonds shall be on a parity with one another and also on parity with those of the Holders of the First Lien Bonds and Parity 2007 Bonds, and senior and prior to those of the Holders of the Second Lien Bonds.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder by the Bondholders shall be made without the prior written consent of the applicable Bond Insurer or shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereto.

Section 7.03. Appointment of Receiver. If there be any Event of Default existing and continuing, any Bondholder or any Bond Insurer 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 Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the principal of and interest on the Series 2007 A Bonds, and the Prior Bonds, 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, maintain, manage and control such facilities, and each and every part thereof, and in the name of the Issuer exercise all the rights and powers of the Issuer with respect to said facilities as the Issuer itself might do.

Whenever all that is due upon the Series 2007 A Bonds issued pursuant to this Ordinance and interest thereon and under any covenants of this Ordinance for reserve, sinking or other funds and accounts and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Revenues of the System shall have been paid and made good, and all defaults under the provisions of this Ordinance shall have been cured and made good, and all monies due hereunder or under any Supplemental Resolution have been paid in full, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Bondholder 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 Issuer and for the joint protection and benefit of the Issuer and the Holders of the Series 2007 A 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 Issuer and the 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 Issuer, 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.

Notwithstanding any other provision of this Ordinance, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Ordinance, any trustee or Bondholder's committee shall consider the effect on the Bondholders as if no Municipal Bond Insurance Policy were then in effect.

Section 7.04. Restoration of Issuer and Bondholder. In case any Bondholder shall have proceeded to enforce any right under this Ordinance by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Issuer and such Bondholder shall be restored to their former positions and rights hereunder, and all rights and remedies of such Bondholder shall continue as if no such proceedings had been taken.

ARTICLE VIII

REGISTRAR AND PAYING AGENT

Section 8.01. Appointment of Registrar. The Registrar for the Series 2007 A Bonds shall be appointed pursuant to the Supplemental Resolution. The Issuer is hereby authorized and directed to enter into an agreement with the Registrar, the substantial form of which agreement is to be approved by Supplemental Resolution.

Section 8.02. Responsibilities of Registrar. The recitals of fact in the Bonds shall be taken as statements of the Issuer, and the Registrar shall not be responsible for their accuracy. The Registrar shall not be deemed to make any representation as to, and shall not incur any liability on account of, the validity of the execution of any Series 2007 A Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication on the Series 2007 A Bonds. The Registrar and any successor thereto shall agree to perform all the duties and responsibilities spelled out in this Ordinance and any other duties and responsibilities incident thereto, all as provided by said agreement described in Section 8.01.

Section 8.03. Evidence on Which Registrar May Act. Except as otherwise provided by Section 10.02, the Registrar shall be protected in acting upon any notice, resolution, request, consent, order, certificate, opinion or other document believed by it to be genuine and to have been signed or presented by the proper party or parties. Whenever the Registrar shall deem it necessary or desirable that a fact or matter be proved or established prior to taking or suffering any action, such fact or matter, unless other evidence is specifically prescribed, may be deemed to be conclusively proved and established by a certificate of an Authorized Officer of the Issuer, but in its discretion the Registrar may instead accept other evidence of such fact or matter.

Section 8.04. Compensation and Expenses. The Issuer shall pay to the Registrar from time to time reasonable compensation for all services, including the transfer of registration of Series 2007 A Bonds, the first exchange of Series 2007 A Bonds and the exchange of Series 2007 A Bonds in the event of partial redemption, incurred in the performance of its duties hereunder.

Section 8.05. Certain Permitted Acts. The Registrar may become the owner of or may deal in Series 2007 A Bonds as fully and with the same rights it would have if it were not Registrar. To the extent permitted by law, the Registrar may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or effect or aid in any reorganization growing out of the enforcement of the Series 2007 A Bonds, or this Ordinance, whether or not any such committee shall represent the Holders of a majority in principal amount of the Series 2007 A Bonds Outstanding.

Section 8.06. Resignation of Registrar. The Registrar may at any time resign and be discharged of its duties and obligations under this Ordinance by giving not less than 60 days' written notice to the Issuer and publishing in an Authorized Newspaper notice (or mailing such notice to each Bondholder in the event all Bonds are fully registered), specifying the date when such resignation shall take effect, within 20 days after the giving of such written notice. A copy of such notice shall also be mailed to each owner of a fully registered Bond or a coupon Bond registered as to principal (other than to bearer). Such resignation shall take effect upon the day specified in such notice unless a successor shall have been previously appointed by the Issuer or bondholders, in which event such resignation shall take effect immediately, provided that in no event shall such resignation take effect until a successor has been appointed and has accepted its duties as Registrar.

Section 8.07. Removal. The Registrar may be removed at any time by the Issuer, the applicable Bond Insurer or by the Holders of a majority in principal amount of the Series 2007 A Bonds then Outstanding by an instrument or concurrent instruments in writing signed and duly acknowledged by the Issuer, the applicable Bond Insurer or by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer, as the case may be. Copies of each such instrument shall be delivered by the Issuer to the Registrar. Such removal shall take effect upon the date stated in such instrument, provided that in no event shall such removal take effect until a successor has been appointed and has accepted its duties as Registrar.

Section 8.08. Appointment of Successor . In case at any time the Registrar shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Registrar or of its property shall be appointed, or if any public officer or court shall take charge or control of the Registrar or of its property or affairs, a successor may be appointed by the Holders of a majority in principal amount of the Series 2007 A Bonds then Outstanding by an instrument or concurrent instruments in writing signed by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer and such successor Registrar, notification thereof being given to the predecessor Registrar. Pending such appointment, the Issuer shall forthwith appoint a Registrar to fill such vacancy until a successor Registrar shall be appointed by such Bondholders. The Issuer shall publish in an Authorized Newspaper (or mail to each Bondholder in the event all Bonds are fully registered) notice of any such appointment within 20 days after the effective date of such appointment. A copy of such notice shall also be mailed to each owner of a fully registered Bond or a coupon Bond registered as to principal (other than to bearer). Any successor Registrar appointed by the Issuer shall, immediately and without further act, be superseded by a Registrar appointed by such Bondholders. If in a proper case no appointment of a successor Registrar shall be made within 45 days after the Registrar shall have given to the Issuer written notice of resignation or after the occurrence of any other event requiring such appointment, the Registrar or any Bondholder may apply to any court of competent jurisdiction to appoint a successor. Any Registrar appointed under the provisions of this section shall be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Ordinance.

Section 8.09. Transfer of Rights and Property to Successor . Any predecessor Registrar or Paying Agent shall pay over, assign and deliver any monies, books and records held by it to its successor.

Section 8.10. Merger or Consolidation. Any company into which the Registrar may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which the Registrar or any public officer or court may sell or transfer all or substantially all of its corporate trust business, shall be the successor to such Registrar without the execution or filing of any paper or the performance of any further act; provided, however, that such company shall be a bank, trust company or national banking association meeting the requirements set forth in Section 8.08.

Section 8.11. Adoption of Authentication. In case any of the Series 2007 A Bonds shall have been authenticated but not delivered, any successor Registrar may adopt a Certificate of Authentication and Registration executed by any predecessor Registrar and deliver such Bonds so authenticated, and, in case any Bonds shall have been prepared but not authenticated, any successor Registrar may authenticate such Bonds in the name of the predecessor Registrar or in its own name.

Section 8.12. Paying Agent . The West Virginia Municipal Bond Commission shall initially serve as Paying Agent. Any alternate Paying Agent must be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Ordinance. Such alternate Paying Agent shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the Issuer a written acceptance thereof. Any successor Paying Agent shall take such actions as may be necessary to ensure that the Series 2007 A Bond shall be and remain DTC-Eligible.

Each Paying Agent shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by such Paying Agent in connection with such services solely from monies available therefor.

Any bank, trust company or national banking association with or into which any Paying Agent may be merged or consolidated, or to which the assets and business of such Paying Agent may be sold, shall be deemed the successor of such Paying Agent for the purposes of this Ordinance. If the position of Paying Agent shall become vacant for any reason, the Issuer shall, within 30 days thereafter, appoint a bank, trust company or national banking association located in the same ~~city~~town as such Paying Agent to fill such vacancy; provided, however, that, if the Issuer shall fail to appoint such Paying Agent within said period, the Bond Commission, a court of competent jurisdiction or a majority of the Bondholders may make such appointment.

The Paying Agents shall enjoy the same protective provisions in the performance of their duties hereunder as are specified in this Article VIII with respect to the Registrar, insofar as such provisions may be applicable.

Notice of the appointment of successor or additional Paying Agents or fiscal agents shall be given in the same manner as provided by Section 8.08 hereof with respect to the appointment of a successor Registrar.

All monies received by the Paying Agents shall, until used or applied as provided in this Ordinance, be held in trust for the purposes for which they were received.

ARTICLE IX

DEFEASANCE; DISCHARGE OF PLEDGE OF ORDINANCE

Section 9.01. Defeasance; Discharge of Pledge of Ordinance . If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 2007 A 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, and all other monies due hereunder have been paid, then this Ordinance and the pledges of the Gross Revenues and other monies and securities pledged hereunder, and all covenants, agreements and other obligations of the Issuer on behalf of the Holders of the Series 2007 A Bonds made hereunder, as applicable, shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with the monies, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective 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 Series 2007 A 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 with the Bond Commission or an escrow trustee either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with the monies, if any, deposited with the Bond Commission or said escrow trustee at the same or earlier time shall be sufficient, to pay when due the principal of, any redemption premium on and interest due and to become due on said Bonds on and prior to the maturity date thereof, or if the Issuer irrevocably determines to redeem any of said Bonds prior to the maturity thereof, on and prior to said Redemption Date. Neither securities nor monies deposited with the Bond Commission or an escrow trustee 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, redemption premium, if any, and interest payments on such securities deposited with the Bond Commission or said escrow trustee, 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 redemption premium, if any, and interest to become due on said Bonds on and prior to such maturity or Redemption Dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Bond Commission or said escrow trustee, free and clear of any trust, lien or pledge.

ARTICLE X

MISCELLANEOUS

Section 10.01. Amendment of Ordinance. Prior to issuance of the Series 2007 A Bonds, this Ordinance may be amended, modified or supplemented in any way by the Supplemental Resolution. All provisions required by the Bond Insurer, if any, shall be set forth in the Supplemental Resolution and to the extent they constitute an amendment or modification of this Ordinance, shall be controlling. Following issuance of the Series 2007 A Bonds, this Ordinance and any Supplemental Resolution may, without the consent of any Bondholder or other person, be amended, modified or supplemented in any manner which, in the opinion of Bond Counsel, does not materially adversely affect the interests of the Bondholders or any Bond Insurer, provided that, in the event any of the Bonds are insured, no such amendment or modification which affects the rights of the applicable Bond Insurer for such Bonds may be made without the written consent of such Bond Insurer. Otherwise, no materially adverse amendment or modification to this Ordinance, or of any Supplemental Resolution, may be made without the written consent of the Holders of 60% in aggregate principal amount of the Series 2007 A Bonds then Outstanding and affected thereby and the Bond Insurer, which must be filed with the ~~Clerk~~Recorder of the Issuer before any such modification or amendment may be made. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Bond without the express written consent of the Holder of such Bond, nor reduce the percentage of Series 2007 A Bonds required for consent to any such modification or amendment.

Section 10.02. Evidence of Signatures of Bondholders and Ownership of Bonds. Any request, consent, revocation of consent or other instrument which this Ordinance may require or permit to be signed and executed by Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys duly authorized in writing. Proof of the execution of any such instrument, or of an instrument appointing or authorizing any such attorney, shall be sufficient for any purpose of this Ordinance if made in the following manner, or in any other manner satisfactory to the Issuer or the Registrar, as the case may be, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

A. The fact and date of the execution by any Bondholder or his attorney of any such instrument may be proved (i) by the certificate of a notary public or other officer authorized to take acknowledgments of deeds to be recorded in the jurisdiction in which he purports to act that the person signing such instrument acknowledged to him the execution thereof, or by the affidavit of a witness of such execution, duly sworn to before such a notary public or other officer or (ii) by the certificate, which need not be acknowledged or verified, of an officer of a bank, a trust company or a financial firm or corporation satisfactory to the Issuer or the Registrar, as the case may be, that the person signing such instrument acknowledged to such bank, trust company, firm or corporation the execution thereof.

B. The authority of a person or persons to execute any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or treasurer or a vice-president or an assistant treasurer of such corporation with a corporate seal affixed, and is attested by a person purporting to be its secretary or assistant secretary.

C. The amount of fully registered Series 2007 A Bonds held by a person executing any instrument as a Bondholder, the date of his holding such Series 2007 A Bonds and the numbers and other identification thereof, shall be confirmed by the Bond Register.

Any request, consent or other instrument executed by the Holder of any Bond shall bind all future Holders and owners of such Bond in respect of anything done or suffered to be done hereunder by the Issuer or the Registrar in accordance therewith.

Section 10.03. Preservation and Inspection of Documents. To the extent allowable under law, all reports, certificates, statements and other documents received by the Registrar under the provisions of this Ordinance shall be retained in its possession and shall be available at all reasonable times for the inspection of the Issuer or any Bondholder, and their agents and their representatives, but any such reports, certificates, statements or other documents may, at the election of the Registrar, be destroyed or otherwise disposed of at any time after such date as the pledge created by this Ordinance shall be discharged as provided in Section 9.01.

Section 10.04. Cancellation of Bonds. All Series 2007 A Bonds purchased or paid shall, if surrendered to the Issuer, be canceled and delivered to the Registrar, or, if surrendered to the Registrar, be canceled by it. No such Bonds shall be deemed Outstanding under this Ordinance and no Series 2007 A Bonds shall be issued in lieu thereof. All such Bonds shall be canceled and upon order of the Issuer shall be destroyed, and a certificate evidencing such destruction shall be delivered to the Issuer.

Section 10.05. Failure to Present Bonds. Anything in this Ordinance to the contrary notwithstanding, any monies held by the Bond Commission or a Paying Agent in trust for the payment and discharge of any of the Series 2007 A Bonds which remain unclaimed for two years after the date on which such Bonds have become due and payable, whether by maturity or upon call for redemption, shall at the written request of the Issuer be paid by the Bond Commission or said Paying Agent to the Issuer as its absolute property and free from trust, and the Bond Commission or said Paying Agent shall thereupon be released and discharged with respect thereto, and the Holders of such Bonds shall look only to the Issuer for the payment of such Bonds; provided, however, that, before making any such payment to the Issuer, the Registrar, if so advised by the Bond Commission, or said Paying Agent shall send to the Holder, at the address listed on the Bond Register, by certified mail, a notice that such monies remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of such notice is mailed, the balance of such monies then unclaimed will be returned to the Issuer.

Section 10.06. Notices, Demands and Requests. Unless otherwise expressly provided, all notices, demands and requests to be given or made hereunder to or by the Issuer, the Registrar, the Depository Bank, the Original Purchaser or the Bond Insurer shall be in writing and shall be properly made if sent by United States mail, postage prepaid, and addressed as follows or if hand-delivered to the individual to whom such notice, demand or request is required to be directed as indicated below:

~~CITY~~TOWN

Town of Moorefield
206 Winchester Avenue
Moorefield, West Virginia 26836
Attention: Mayor

REGISTRAR

United Bank, Inc.
500 Virginia Street, East
Charleston, West Virginia 25301
Attention: Trust Department

PAYING AGENT

West Virginia Municipal Bond Commission
8 Capitol Street
Suite 500, Terminal Building
Charleston, West Virginia 25301
Attn: Executive Director

DEPOSITORY BANK

[Name(s) and address(s) to be set forth in
Supplemental Resolution]

ORIGINAL PURCHASER

Crews & Associates, Inc.
2000 Union National Plaza
124 West Capitol
Little Rock, Arkansas 72201

Any party listed above may change such address listed for it at any time upon written notice of change sent by United States mail, postage prepaid, to the other parties.

Section 10.07. No Personal Liability. No member of the Council, ~~the Board~~ or officer or employee of the Issuer shall be individually or personally liable for the payment of the principal of or the interest on any Bond, but nothing herein contained shall relieve any such member, official or employee from the performance of any official duty provided by law or this Ordinance.

Section 10.08. Law Applicable. The laws of the State shall govern the construction of this Ordinance and of all Series 2007 A Bonds issued hereunder.

Section 10.09. Parties Interested Herein. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2007 A Bonds, the applicable Bond Insurer, if any, and the Original Purchaser, any right, remedy or claim under or by reason of this Ordinance. All the covenants, stipulations, promises and agreements contained in this Ordinance by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2007 A Bonds, the Bond Insurer and the Original Purchaser.

Section 10.10. 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 10.11. 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 10.12. Conflicting Provisions Repealed. All ordinances, orders, resolutions or parts thereof in conflict with the provisions of this Ordinance, are, to the extent of such conflict, hereby repealed.

Section 10.13. Procedure on Enactment of Ordinance; Public Hearing. Upon adoption of this Ordinance, the ~~Clerk~~Recorder is hereby authorized and directed to have an abstract of this Ordinance, which abstract has been determined by the Council of the Issuer to contain sufficient information to give notice of the contents of such Ordinance, published once each week for 2 successive weeks, with not less than six full days between each publication, the first such publication to be not less than 10 days before the date stated below for the public hearing, in the *The Moorefield Examiner*, a newspaper published and having a general circulation in the Town of Moorefield, together with a notice to all persons concerned, stating that this Ordinance has been adopted and that the Issuer contemplates the issuance of the Series 2007 A Bonds described in this Ordinance and that any person interested may appear before the Council at the public hearing to be had at a public meeting of Council on the ___ day of _____, 2007, at ____ _.m., in the Council Chambers of

the ~~City~~Town Hall, Moorefield and present protests, and that a certified copy of this Ordinance is on file with the ~~Clerk~~Recorder for review by interested parties during the office hours of the ~~Clerk~~Recorder. At such hearing all protests and suggestions shall be heard by the Council and it shall then take such action as it shall deem proper in the premises.

This Ordinance shall become effective following public hearing hereon in accordance with the Act.

First Reading:	February 6, 2007
Second Reading:	February 13, 2007
Effective following Public Hearing held on:	February 28, 2007

[SEAL]

_____
Mayor

ATTEST:

_____
Recorder

CERTIFICATION

Certified a true, correct and complete copy of an Ordinance duly enacted by the ~~City~~Town Council of the TOWN OF MOOREFIELD at a ~~regular~~special meeting of the ~~City~~Town Council held at 7:00 p.m._____, on February 2~~0~~8, 2007 pursuant to proper notice, at which meeting a quorum was present and acting throughout, and which Ordinance was enacted following a public hearing thereon, notice of which public hearing was published once a week for two successive weeks in a newspaper having a general circulation in the Town of Moorefield, the first publication having been not less than 10 days prior to such public hearing.

Dated this ____~~th~~16th day of _____March, 2007

[SEAL]

_____

Recorder

EXHIBIT A - SERIES 2007 A BOND FORM

[DTC Legend]

No. AR-_____ $_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF MOOREFIELD (WEST VIRGINIA)
COMBINED WATERWORKS AND
SEWERAGE SYSTEM REVENUE BONDS, SERIES 2007 A (TAX-EXEMPT)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
_____%	_____	_____	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS: That the TOWN OF MOOREFIELD (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on _____ 1 and _____ 1, in each year, beginning _____ 1, 2007 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized

terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter-described Ordinance.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each May 15 and November 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by United Bank, Inc., Charleston, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least $500,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $_____ designated the "Town of Moorefield Water Revenue Bonds, Series 2007 A (Tax-Exempt)" (the "Series 2007 A Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated _____, 2007, upon original issuance, the proceeds of which are to be used, together with other funds of the Issuer, (i) to finance the cost of design, acquisition and construction of certain additions, betterments and improvements to the waterworks portion of the combined waterworks and sewerage system of the Issuer, (ii) to fund a reserve account for the Series 2007 A Bonds, and (iii) to pay certain costs of issuance of the Series 2007 A Bonds and related costs. The Series 2007 A Bonds are issued under the authority of and in full compliance with the Constitution and statute of the State of West Virginia, including particularly, Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and an ordinance duly enacted by the ~~City~~Town Council of the Issuer on February 20, 2007, and supplemented by a supplemental resolution adopted by said Council on February 20, 2007 (hereinafter collectively referred to as 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 the Series 2007 A Bonds under the Ordinance. Reference is hereby made to the Ordinance, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Series 2007 A Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Ordinance are on file at the office of the Recorder in the Town of Moorefield, West Virginia.

THIS BOND IS ISSUED ON A PARITY WITH, OR SENIOR AND PRIOR RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE FOLLOWING OUTSTANDING WATER REVENUE BONDS OF THE ISSUER (COLLECTIVELY, THE "PRIOR BONDS").

The Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds, the Series 1998 Refunding Bonds, the Series 1998 Design Bonds, the Series 2000 A Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds, the Series 2003 A Bonds, the Series 2005 A Bonds and the Series 2006 A Bonds are hereinafter collectively called the "Prior Bonds." The ordinances which authorized the issuance of the Prior Bonds are herein collectively referred to as the "Prior Ordinances."

Designation	Lien Position
Water Revenue Bonds, Series 1987,dated November 20, 1987, issued in the original aggregate principal amount of $443.275 (the "Series 1987 Bonds")	First Lien
Water Revenue Bonds, Series 1992 A (the "Series 1992 A Bonds")	First Lien
Supplemental Water Revenue Bonds, Series 1987, dated November 20, 1987, issued in the original aggregate principal amount of $108,725 (the "Series 1987 Supplemental Bonds")	Second Lien
Water Revenue Bonds, Series 1992 B (the "Series 1992 B Bonds")	Second Lien

The Series 2007 A Bonds are subject to redemption prior to their stated maturity dates, as provided in the Ordinance and as set forth in the following lettered paragraphs:

(A) Optional Redemption. The Bonds maturing on and after _____, 20____, are subject to redemption prior to maturity at the option of the Issuer on or after _____, 20_____, in whole at any time and in part on any Interest Payment Date, as directed by the Issuer, in reverse order of maturity and by lot within a maturity, at the following Redemption Prices (expressed as percentages of the principal amount of Bonds to be redeemed), plus interest accrued thereon to the date fixed for redemption:

Period During Which Redeemed (Dates Inclusive)	Redemption Price

(B) Mandatory Sinking Fund Redemption. The Bonds maturing on _____, 20_____ and 20_____ are subject to annual mandatory sinking fund redemption prior to maturity by random selection as may be determined by the Registrar, on _____ 1 of the years and in the principal amounts set forth below, at the Redemption Price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Bonds Maturing _____ 1, 20_____

Year (1)	Principal Amount

Bonds Maturing _____ 1, 20_____

Year (1)	Principal Amount

* Final Maturity

In the event of any redemption of less than all outstanding Series 2007 A Bonds, the maturities to be redeemed shall be selected by the Paying Agent at the direction of the Issuer and Series 2007 A Bonds to be redeemed shall be determined by lot within a maturity, or in such other manner deemed appropriate by the Paying Agent. If less than all the Series 2007 A Bonds are to be redeemed, the Series 2007 A Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Series 2007 A Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2007 A Bond or Series 2007 A Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Paying Agent. Such notice shall also be given by the Paying Agent to the Registrar. Notice of redemption having been given as aforesaid, the Series 2007 A Bonds or portions of Series 2007 A Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Series 2007 A Bonds or portions of Series 2007 A Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Series 2007 A Bond.

The Series 2007 A Bonds and the interest thereon are payable only from and are secured by the Gross Revenues (as defined in the Ordinance) to be derived from the operation of the System, on a parity in all respects with the pledge of the Gross Revenues created in favor of the holders of the Prior Bonds, all monies in the Series 2007 A Bonds Sinking Fund, and the Series 2007 A Bonds Reserve Account therein, established under the Ordinance, and the unexpended proceeds of the Series 2007 A Bonds, and the Issuer hereby and in the Ordinance pledges such revenues and monies to such payment. Said Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Ordinance. This Series 2007 A Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Gross Revenues, the monies in the Series 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account and said unexpended Series 2007 A Bond proceeds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Series 2007 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 2007 A Bonds, including the Prior Bonds. The Issuer has entered into certain further covenants with the registered owners of the Series 2007 A Bonds, for the terms of which reference is made to the Ordinance. Remedies provided the registered owners of the Series 2007 A Bonds are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest thereon shall be applied solely to pay all costs of the Project, partially fund a reserve account for the Series 2007 A Bonds, and pay costs of issuance of the Bonds, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owners of said Series 2007 A Bonds.

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 Series 2007 A 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 Series 2007 A Bond, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Series 2007 A Bonds of which this Series 2007 A Bond is one.

This Series 2007 A Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the within-described Ordinance.

This Series 2007 A Bond and the income therefrom are, under the Act, exempt from taxation in the State of West Virginia, except inheritance, estate and transfer taxes.

This Series 2007 A Bond ~~is hereby~~has been designated by the Issuer as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

This Series 2007 A Bond shall not be entitled to any benefit under the Ordinance, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

All provisions of the Ordinance, as defined on the reverse hereof, and the statutes under which this Series 2007 A Bond is issued shall be deemed to be a part of the contract evidenced by this Series 2007 A Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, the TOWN OF MOOREFIELD (West Virginia) has caused this Bond to be signed by its Mayor, and its corporate seal to be imprinted hereon and attested by its Recorder, and has caused this Series 2007 A Bond to be dated as of the Series 2007 A Bond Date specified above.

[SEAL]

[Manual or facsimile signature]
Mayor

ATTEST:

[Manual or facsimile signature]
Recorder

CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This Series 2007 A Bond is one of the fully registered Series 2007 A Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Series 2007 A Bonds.

Dated: _____, 2007.

UNITED BANK, INC., as
Registrar

By: _____
Its: Authorized Officer

(FORM OF)
ASSIGNMENT

Social Security or Other Identifying Number of Assignee _____
_____

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

Dated: _____, _____.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

01.26.07
621500.00002

$3,155,000

TOWN OF MOOREFIELD, (WEST VIRGINIA)
WATER REVENUE BONDS, SERIES 2007 A (TAX-EXEMPT)

CERTIFICATE OF DETERMINATIONS

The undersigned, Gary Stalnaker, Mayor of the Town of Moorefield (the "Issuer"), in accordance with the Bond Ordinance enacted by the Governing Body of the Issuer on February 28, 2007, and Supplemental Parameters Resolution adopted by the Governing Body of the Issuer on February 28, 2007 (the "Supplemental Parameters Resolution"), with respect to the Issuer's Water Revenue Bonds, Series 2007 A (Tax-Exempt)(the "Series 2007 A Bonds"), hereby finds and determines as follows:

1. The Series 2007 A Bonds shall be dated March 1, 2007 and shall bear interest on March 1 and September 1 of each year commencing September 1, 2007.

2. The Series 2007 A Bonds shall be issued in the aggregate principal amount of $3,155,000.

3. The Series 2007 A Bonds shall mature in the amounts and on the dates and shall be subject to mandatory sinking fund redemption in the amounts and on the dates set forth on Schedule 1 attached hereto and incorporated herein.

4. The Series 2007 A Bonds shall bear interest at the rates and produce the yields set forth on Schedule 1 attached hereto and incorporated herein. Such interest rates do not exceed 9%, being the maximum interest rate authorized by the Supplemental Parameters Resolution.

5. The Series 2007 A Bonds shall be subject to optional and mandatory redemption as set forth on Schedule 2 attached hereto and incorporated herein.

6. The Series 2007 A Bonds shall be sold to Crews & Associates, Inc. (the "Underwriter"), pursuant to the terms of the Bond Purchase Agreement by and between the Underwriter and the Issuer, at an aggregate purchase price of $3,048,466 (representing par value less Original Issue Discount of $27,659 and Underwriter's Discount of $78,875), plus accrued interest from March 1, 2007 to March 16, 2007 in the amount of $6,321.98.

7. The Series 2007 A Bonds Reserve Account shall be fully funded from proceeds of the Series 2007 A Bonds in the amount of $194,347.50.

8. The forms of the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Registrar Agreement and Official Statement attached hereto are hereby approved.

The undersigned hereby certifies that the foregoing terms and conditions of the Series 2007 A Bonds are within the parameters prescribed by the Supplemental Parameters Resolution, and the Series 2007 A Bonds may be issued with such terms and conditions as authorized by the Supplemental Parameters Resolution.

WITNESS my signature this 12th day of March, 2007.

TOWN OF MOOREFIELD

By: _____
Its: Mayor

03.13.07
621500.00002

Schedule 1

Maturity Schedule

$180,000	4.100%	Term Bonds, Due March 1, 2012 at 100%	CUSIP: 61586PAA6
$260,000	4.300%	Term Bonds, Due March 1, 2017 at 100%	CUSIP: 61586PAB4
$320,000	4.600%	Term Bonds, Due March 1, 2022 at 100%	CUSIP: 61586PAC2
$405,000	4.750%	Term Bonds, Due March 1, 2027 at 100%	CUSIP: 61586PAD0
$290,000	4.900%	Term Bonds, Due March 1, 2030 at 100%	CUSIP: 61586PAE8
$1,700,000	5.000%	Term Bonds, Due March 1, 2042 at 98.373%	CUSIP: 61586PAF5

(accrued interest to be added)

Schedule 2

Mandatory Redemption

The Series 2007 Bonds maturing March 1, 2012, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2008, and on each March 1 thereafter to and including March 1, 2012, in annual principal amounts as follows:

Year	Amount
2008	$10,000
2009	40,000
2010	40,000
2011	45,000
2012 (Maturity)	45,000

The principal amount of Series 2007 Bonds maturing March 1, 2012, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2007 Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2007 Bonds maturing March 1, 2017, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2013, and on each March 1 thereafter to and including March 1, 2017, in annual principal amounts as follows:

Year	Amount
2013	$50,000
2014	50,000
2015	50,000
2016	55,000
2017 (Maturity)	55,000

The principal amount of Series 2007 Bonds maturing March 1, 2017, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2007 Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2007 Bonds maturing March 1, 2022, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2018, and on each March 1 thereafter to and including March 1, 2022, in annual principal amounts as follows:

Year	Amount
2018	$60,000
2019	60,000
2020	65,000
2021	65,000
2022 (Maturity)	70,000

The principal amount of Series 2007 Bonds maturing March 1, 2022, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2007 Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2007 Bonds maturing March 1, 2027, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2023, and on each March 1 thereafter to and including March 1, 2027, in annual principal amounts as follows:

Year	Amount
2023	$75,000
2024	75,000
2025	80,000
2026	85,000
2027 (Maturity)	90,000

The principal amount of Series 2007 Bonds maturing March 1, 2027, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2007 Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2007 Bonds maturing March 1, 2030, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2028, and on each March 1 thereafter to and including March 1, 2030, in annual principal amounts as follows:

Year	Amount

2028	$95,000
2029	95,000
2030 (Maturity)	100,000

The principal amount of Series 2007 Bonds maturing March 1, 2030, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2007 Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2007 Bonds maturing March 1, 2042, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2031, and on each March 1 thereafter to and including March 1, 2042, in annual principal amounts as follows:

Year	Amount
2031	$105,000
2032	110,000
2033	120,000
2034	125,000
2035	130,000
2036	135,000
2037	145,000
2038	150,000
2039	160,000
2040	165,000
2041	175,000
2042 (Maturity)	180,000

The principal amount of Series 2007 Bonds maturing March 1, 2042, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2007 Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

Optional Redemption

The Series 2007 A Bonds are subject to redemption at the option of the Town, prior to maturity, on or after March 1, 2017, in whole or in part at any time from amounts deposited with the Bond Commission by the Town or from other funds available therefore at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

If fewer than all of the Series 2007 A Bonds shall be called for optional redemption, the particular maturities of the Series 2007 A Bonds to be redeemed shall be selected by the Town in such manner as it shall determine. So long as the Series 2007 A Bonds are maintained under a book-entry system, the selection of individual ownership interests in the Series 2007 A Bonds to be credited with any partial redemption shall be made as described herein under "BOOK-ENTRY ONLY SYSTEM" in the Official Statement.

$3,155,000

TOWN OF MOOREFIELD (WEST VIRGINIA)
WATER REVENUE BONDS, SERIES 2007 A (TAX-EXEMPT)

CROSS-RECEIPT FOR BONDS AND BOND PROCEEDS

On the 16th day of March, 2007, the undersigned, Gregory B. Isaacs, Vice President of Crews & Associates, Inc. (the "Underwriter"), for and on behalf of the Underwriter, and Gary Stalnaker, Mayor of the Town of Moorefield (the "Issuer"), for and on behalf of the Issuer, hereby certify as follows:

1. On the 16th day of March, 2007, in New York, New York, the Underwriter received the entire original issue of $3,155,000 in aggregate principal amount of the Town of Moorefield, West Virginia, Water Revenue Bonds, Series 2007 A (Tax-Exempt) (the "Series 2007 A Bonds"). The Series 2007 A Bonds, as so received on original issuance, are in various denominations, are dated March 1, 2007, and are numbered from AR-1 upward in order of maturity, and are registered in the name of "CEDE & CO."

2. At the time of such receipt of the Series 2007 A Bonds, they had been executed by Gary Stalnaker, as Mayor of the Issuer by his manual signature, and the official seal of the Issuer had been impressed upon each Series 2007 A Bond and attested by Phyllis Sherman, Recorder of the Issuer by her manual signature, and had been authenticated by United Bank, Inc., Charleston, West Virginia, as Registrar.

3. The Issuer has received and hereby acknowledges receipt from the Underwriter, as the original purchaser of the Series 2007 A Bonds, of the proceeds of the Series 2007 A Bonds, as follows:

Par Amount		$3,155,000.00
Less:	Underwriter's Discount	($ 78,875.00)
	Original Issue Discount	($ 27,659.00)
Plus:	Accrued Interest From March 1, 2007 to March 16, 2007	$ 6,321.98
TOTAL		$3,054,787.98

Payment for the Series 2007 A Bonds was made in immediately available funds (federal funds wire) in the amount of $3,054,787.98.

WITNESS our respective signatures as of the day and year first stated above.

CREWS & ASSOCIATES, INC.

By: _____
Its: Vice President

TOWN OF MOOREFIELD

By: _____
Its: Mayor

03.13.07
621500.00002

$3,155,000

TOWN OF MOOREFIELD (WEST VIRGINIA)
WATER REVENUE BONDS, SERIES 2007 A (TAX-EXEMPT)

DIRECTION TO AUTHENTICATE AND DELIVER BONDS

United Bank, Inc.,
as Registrar
Charleston, West Virginia

Ladies and Gentlemen:

On the 16th day of March, 2007, there are delivered to you herewith as Registrar for the above-captioned Bonds:

1. Bonds Nos. AR-1 through AR-6, inclusive, constituting the entire original issue of the Town of Moorefield, West Virginia, Water Revenue Bonds, Series 2007 A (Tax-Exempt), dated March 1, 2007, in the aggregate principal amount of $3,155,000 (the "Series 2007 A Bonds"), executed by the Mayor of the Town (the "Issuer") and bearing the official seal of the Issuer. The Series 2007 A Bonds are authorized to be issued under and pursuant to an Ordinance enacted by the Issuer on February 28, 2007, as supplemented by a Supplemental Parameters Resolution adopted by the Issuer on February 28, 2007 (collectively, the "Ordinance").

2. A copy of the Ordinance enacted February 28, 2007, certified by the Recorder of the Issuer.

3. A list of the names in which the Series 2007 A Bonds are to be registered upon original issuance, together with taxpayer identification and other information as requested by you.

4. A signed, unqualified approving opinion of Steptoe & Johnson PLLC as bond counsel.

You are hereby requested and authorized, pursuant to Section 3.12 of the Ordinance, to authenticate, register and deliver the Series 2007 A Bonds to the Depository Trust Company, New York, New York, for the account of Crews & Associates, Inc., as the original purchaser thereof.

Dated as of the day and year first stated above.

TOWN OF MOOREFIELD

By: 
Its: Mayor

03.13.07
621500.00002

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Agreement"), dated March 16, 2007, is by and between the Town of Moorefield, West Virginia (the "Town"), and United Bank, Inc., as Disclosure Agent (the "Agent"). By the terms of an ordinance enacted by the Council of the Town on February 28, 2007 (the "Original Ordinance"), as supplemented and amended by supplemental resolutions adopted by the Council of the Town pursuant to the Original Ordinance (the "Supplemental Resolutions" and together with the Original Ordinance, the "Ordinance"), the Town authorized the issuance of $3,155,000 Town of Moorefield, Water Revenue Bonds, Series 2007 A (Tax-Exempt) (the "Series 2007 Bonds"). The Series 2007 Bonds were sold pursuant to the terms of a Bond Purchase Agreement dated March 12, 2007, by and between the Crews & Associates, Inc. (the "Underwriter") and the Town. Capitalized terms used in this Agreement shall have the respective meanings specified above or in Article IV hereof. The parties agree as follows:

ARTICLE I

The Undertaking

Section 1.1. Purpose. This Agreement shall constitute a written undertaking for the benefit of the holders of the Series 2007 Bonds and is being executed and delivered solely to assist the Underwriter in complying with subsection (b)(1) of the Rule.

Any filing under this Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "Central Post Office") as provided at http://www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

Section 1.2. Annual Financial Information. (a) The Town shall provide Annual Financial Information with respect to each fiscal year of the Town, commencing with the fiscal year ended June 30, 2007, by no later than 180 days after the end of each fiscal year, to the Agent for delivery to the Central Post Office for delivery to each NRMSIR and the SID.

(b) The Town shall provide, in a timely manner, notice of any failure of the Town to provide the Annual Financial Information by the date specified in subsection (a) above to the Agent for delivery to the Central Post Office for delivery to (i) either the MSRB or each NRMSIR, and (ii) the SID.

Section 1.3. Material Event Notices. (a) If a Material Event occurs, the Town shall provide, in a timely manner, notice of each Material Event to the Agent for delivery to the Central Post Office for delivery to (i) either the MSRB or each NRMSIR, (ii) the SID, and (iii) the Underwriter.

(b) Any notice of defeasance of the Series 2007 Bonds shall state whether the Series 2007 Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

Section 1.4. Additional Disclosure Obligations. The Town acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Town and that, under some circumstances, additional disclosures or other action in addition to those required by this Agreement may be required to enable the Town to fully discharge all of its duties and obligations under such laws.

Section 1.5. Additional Information. Nothing in this Agreement shall be deemed to prevent the Town from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Material Event hereunder, in addition to that that is required by this Agreement. If the Town chooses to do so, the Town shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Material Event hereunder.

Section 1.6. No Previous Non-Compliance. The Town represents that since June 30, 2006, it has not failed to comply in any material respect with any previous undertaking in a written contract or Agreement, as entered into by the Town, specified in paragraph (b)(5)(i) of the Rule.

ARTICLE II

Operating Rules

Section 2.1. Reference to Other Documents. It shall be sufficient for purposes of this Agreement if the Town provides Annual Financial Information by specific reference to documents (i) either (1) provided to the Agent for delivery to the Central Post Office for delivery to each NRMSIR existing at the time of such reference and the SID or (2) filed with the SEC, or (ii) if such document is an Official Statement, available from the MSRB.

Section 2.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 2.3. Transmission of Information and Notices. Unless otherwise required by law, the Town shall employ such methods of information and notice transmission as it shall so determine. All deliveries to the Agent for delivery to the Central Post Office shall be by electronic transmission at the website for the Central Post Office.

Section 2.4. Fiscal Year. The Town's current fiscal year is the twelve-month period ending on June 30. The Town shall promptly notice (i) the Agent for delivery to the Central Post Office for delivery to each NRMSIR and the SID and (ii) the Underwriter of each change in its fiscal year.

ARTICLE III

Effective Date, Termination, Amendment and Enforcement

Section 3.1. Effective Date; Termination. (a) This Agreement shall be effective upon the issuance of the Series 2007 Bonds.

(b) The Town's obligations under this Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Series 2007 Bonds.

(c) This Agreement, or any provision hereof, shall be null and void in the event that the Town (1) delivers to the Agent an opinion of Counsel, addressed to the Town and the Agent, to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Series 2007 Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the Central Post Office for delivery to each NRMSIR and the SID.

Section 3.2. Amendment. (a) This Agreement may be amended, by written Agreement of the Town, without the consent of the holders of the Series 2007 Bonds, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Town or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the State shall have delivered to the Agent an opinion of Counsel, addressed to the Town and the Agent, to the same effect as set forth in clause (2) above, (4) the Town shall have delivered to the Agent an opinion of Counsel or a determination by a person, in each case unaffiliated with the Town (such as bond counsel or the Agent) and acceptable to the Town, addressed to the Town and the Agent, to the effect that the amendment does not materially impair the interests of the holders of the Series 2007 Bonds, and (5) the Town shall have delivered copies of such opinion(s) and amendment to the Central Post Office for delivery to each NRMSIR and the SID.

(b) In addition to the provisions contained in subsection (a) above, this Agreement may be amended, by written Agreement of the Town, without the consent of the holders of the Series 2007 Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the Town shall have delivered to the Purchaser an opinion of Counsel, addressed to the Town and the Agent, to the effect that performance by the Town under this Agreement as so amended will not result in a violation of the Rule, and (3) the Town shall have delivered copies of such opinion and amendment to the Central Post Office for delivery to each NRMSIR and the SID.

(c) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made pursuant to Section 3.2(a) hereof due to a change in the accounting principles to be followed by the Town in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall provide written explanation of such change or changes.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall inure solely to the benefit of the holders from time to time of the Series 2007 Bonds, except that beneficial owners of Series 2007 Bonds shall be third-party beneficiaries of this Agreement and shall be deemed to be holders of Series 2007 Bonds for purposes of Section 3.3(b) hereof. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a).

(b) The obligations of the Town to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide Annual Financial Information and Material Event notices, by any holder of Outstanding Bonds, or by the Agent on behalf of the holders of Outstanding Bonds, or (ii), in the case of challenges to the adequacy of the Annual Financial Information so provided, by the Agent on behalf of the holders of Outstanding Bonds; provided, however, that the Agent shall not be required to take any enforcement action except at the direction of the holders of not less than 25% in aggregate principal amount of the Series 2007 Bonds at the time Outstanding who shall have provided the Agent with adequate security and indemnity. The holders' and Trustee's rights to enforce the provisions of this Agreement shall be limited solely to right, by action in mandamus or for specific performance, to compel performance of the Town's obligations under this Agreement.

(c) Any failure by the Town or the Agent to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State of West Virginia, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State of West Virginia; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

Definitions

Section 4.1. Definitions. The following items used in this Agreement shall have the following respective meanings:

(a) "Annual Financial Information" means, collectively (i) the Town's Comprehensive Annual Financial Report (or any successive document which sets forth comprehensive information relating to the financial position of the Town) and (ii) the information regarding amendments to this Agreement required pursuant to Sections 3.2(c) and (d) of this Agreement. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

(b) "Audited Financial Statements" means the annual financial statements, if any, of the Town, audited by such auditor as shall then be required or permitted by West Virginia law. Audited Financial Statements shall be prepared in accordance with GAAP.

(c) "Central Post Office" shall mean the Texas Municipal Advisory Council, which shall receive Annual Reports and Listed Events and then electronically transmit them to the NRMSIRs and the State Repository.

(d) "Counsel" means Steptoe & Johnson PLLC, Charleston, West Virginia, or other nationally recognized bond counsel or counsel expert in federal securities law.

(e) "GAAP" means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(f) "Material Event" means any of the following events with respect to the Series 2007 Bonds, whether relating to the Town or otherwise, if material:

(i) principal and interest payment delinquencies;
(ii) non-payment related defaults;
(iii) unscheduled draws on debt service reserves reflecting financial difficulties;
(iv) unscheduled draws on credit enhancements reflecting financial difficulties;
(v) substitution of credit or liquidity providers, or their failure to perform;
(vi) adverse tax opinions or events affecting the tax-exempt status of the Series 2007 Bonds;
(vii) modifications to rights of security holders;
(viii) bond calls;
(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Series 2007 Bonds; and

(xi) rating changes.

(g) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

(h) "NRMSIR" means, at any time, a then-existing nationally recognized municipal securities information repository, as recognized from time to time by the SEC for the purposes referred to in the Rule. The NRMSIRs as of the date of this Agreement are Bloomberg Municipal Repository, DPC Data, Inc., FT Interactive Data and Standard & Poor's J. J. Kenny Repository. Filing information relating to such NRMSIRs is set forth in Exhibit B hereto.

(i) "Official Statement" means "final official statement," as defined in paragraph (f)(3) of the Rule.

(j) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, § 240.15c2-12), as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(k) "SEC" means the United States Securities and Exchange Commission.

(l) "SID" means, at any time, a then-existing state information depository, if any, as operated or designated as such by or on behalf of the State of West Virginia for the purposes referred to in the rule. As of the date of this Agreement, there is no SID.

(m) "Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

ARTICLE V

Miscellaneous

Section 5.1. Severability. If any one or more sections, clauses, sentences or parts hereof shall for any reason be questioned in any court of competent jurisdiction and shall be adjudged unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remaining provisions hereof or thereof, or the Series 2007 Bonds, but shall be confined to the specific sections, clauses, sentences and parts so adjudged.

IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives, all as of the date first above written.

TOWN OF MOOREFIELD

By: _____
Mayor

UNITED BANK, INC.

By: _____
Vice President

EXHIBIT A

NOTICE TO REPOSITORIES
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Town of Moorefield

Name of Bond Issue: $3,155,000 Town of Moorefield,
Water Revenue Bonds, Series 2007 A (Tax-Exempt)

Date of Bond Issue: March 16, 2007

NOTICE IS HEREBY GIVEN that the Town has not provided an Annual Report with respect to the above-named Series 2007 Bonds as required by Section 3(b) of this Continuing Disclosure Agreement dated March 16, 2007, to be provided. The Town anticipates that the Annual Report will be filed by _____, 200_

Dated: _____, 20__

United Bank, Inc., as Trustee
on behalf of the Town

cc: Town

EXHIBIT B

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission as of March 1, 2007:

Central Post Office
Website: http://www.disclosureusa.org

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
FAX: (609) 279-5962
http://www.bloomberg.com/markets/rates/municontacts.html
E-mail: Munis@Bloomberg.com

FT Interactive Data
Attn: NRMSIR
100 William Street, 15th Floor
New York, NY 10038
Phone: (212) 771-6999; (800) 689-8466
FAX: (212) 771-7390
http://www.ftid.com
E-mail: NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, NY 10041
Phone: (212) 438-4595
FAX: (212) 438-3975
http://www.disclosuredirectory.standardandpoors.com/
E-mail: nrmsir_repository@sandp.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
FAX: (201) 947-0107
http://www.dpcdata.com
E-mail: nrmsir@dpcdata.com

SPECIMEN

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-1 $180,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF MOOREFIELD (WEST VIRGINIA)
WATER REVENUE BONDS, SERIES 2007 A (TAX-EXEMPT)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
4.100%	March 1, 2012	March 1, 2007	61586PAA6

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ONE HUNDRED EIGHTY THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That the TOWN OF MOOREFIELD (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on March 1 and September 1, in each year, beginning September 1, 2007 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter-described Ordinance.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each February15 and August 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by United Bank, Inc., Charleston, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least $500,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $3,155,000 designated the "Town of Moorefield Water Revenue Bonds, Series 2007 A (Tax-Exempt)" (the "Series 2007 A Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated March 1, 2007, upon original issuance, the proceeds of which are to be used, together with other funds of the Issuer, (i) to finance the cost of design, acquisition and construction of certain additions, betterments and improvements to the water system of the Issuer, (ii) to fund a reserve account for the Series 2007 A Bonds, and (iii) to pay certain costs of issuance of the Series 2007 A Bonds and related costs. The Series 2007 A Bonds are issued under the authority of and in full compliance with the Constitution and statute of the State of West Virginia, including particularly, Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and an ordinance duly enacted by the Town Council of the Issuer on February 28, 2007, and supplemented by a supplemental parameters resolution adopted by said Council on February 28, 2007 (hereinafter collectively referred to as 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 the Series 2007 A Bonds under the Ordinance. Reference is hereby made to the Ordinance, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Series 2007 A Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Ordinance are on file at the office of the Recorder in the Town of Moorefield, West Virginia.

THIS BOND IS ISSUED ON A PARITY WITH, OR SENIOR AND PRIOR WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE FOLLOWING OUTSTANDING WATER REVENUE BONDS OF THE ISSUER (COLLECTIVELY, THE "PRIOR BONDS"), AS FOLLOWS:

Designation	Lien Position
Water Revenue Bonds, Series 1987,dated November 20, 1987, issued in the original aggregate principal amount of $443.275 (the "Series 1987 Bonds")	First Lien

Designation	Lien Position
Water Revenue Bonds, Series 1992 A, dated May 28, 1992, issued in the original aggregate principal amount of $1,451,613 (the "Series 1992 A Bonds")	First Lien
Supplemental Water Revenue Bonds, Series 1987, dated November 20, 1987, issued in the original aggregate principal amount of $108,725 (the "Series 1987 Supplemental Bonds")	Second Lien
Water Revenue Bonds, Series 1992 B, dated May 28, 1992, issued in the original aggregate principal amount of $48,387 (the "Series 1992 B Bonds")	Second Lien

The Series 1987 A Bonds and the Series 1992 A Bonds are hereinafter collectively called the "First Lien Bonds." The Series 1987 B Bonds and the Series 1992 B Bonds are hereinafter called the "Second Lien Bonds". The First Lien Bonds and the Second Lien Bonds are collectively referred to as the "Prior Bonds". The ordinances which authorized the issuance of the Prior Bonds are herein collectively referred to as the "Prior Ordinances."

The Series 2007 A Bonds are subject to redemption prior to their stated maturity dates, as provided in the Ordinance and as set forth in the following lettered paragraphs:

Optional Redemption

The Series 2007 A Bonds are subject to redemption at the option of the Town, prior to maturity, on or after March 1, 2017, in whole or in part at any time from amounts deposited with the Bond Commission by the Town or from other funds available therefore at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

If fewer than all of the Series 2007 A Bonds shall be called for optional redemption, the particular maturities of the Series 2007 A Bonds to be redeemed shall be selected by the Town in such manner as it shall determine. So long as the Series 2007 A Bonds are maintained under a book-entry system, the selection of individual ownership interests in the Series 2007 A Bonds to be credited with any partial redemption shall be made as described in the Ordinance and the Official Statement.

Mandatory Redemption

The Series 2007 Bonds maturing March 1, 2012, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2008, and on each March 1 thereafter to and including March 1, 2012, in annual principal amounts as follows:

Year	Amount
2008	$10,000
2009	40,000
2010	40,000
2011	45,000
2012 (Maturity)	45,000

The principal amount of Series 2007 Bonds maturing March 1, 2012, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2007 Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2007 Bonds maturing March 1, 2017, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2013, and on each March 1 thereafter to and including March 1, 2017, in annual principal amounts as follows:

Year	Amount
2013	$50,000
2014	50,000
2015	50,000
2016	55,000
2017 (Maturity)	55,000

The principal amount of Series 2007 Bonds maturing March 1, 2017, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2007 Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2007 Bonds maturing March 1, 2022, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2018, and on each March 1 thereafter to and including March 1, 2022, in annual principal amounts as follows:

Year	Amount
2018	$60,000
2019	60,000
2020	65,000
2021	65,000
2022 (Maturity)	70,000

The principal amount of Series 2007 Bonds maturing March 1, 2022, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2007 Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2007 Bonds maturing March 1, 2027, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2023, and on each March 1 thereafter to and including March 1, 2027, in annual principal amounts as follows:

Year	Amount
2023	$75,000
2024	75,000
2025	80,000
2026	85,000
2027 (Maturity)	90,000

The principal amount of Series 2007 Bonds maturing March 1, 2027, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2007 Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2007 Bonds maturing March 1, 2030, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2028, and on each March 1 thereafter to and including March 1, 2030, in annual principal amounts as follows:

Year	Amount
2028	$95,000
2029	95,000
2030 (Maturity)	100,000

The principal amount of Series 2007 Bonds maturing March 1, 2030, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2007 Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2007 Bonds maturing March 1, 2042, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2031, and on each March 1 thereafter to and including March 1, 2042, in annual principal amounts as follows:

Year	Amount
2031	$105,000
2032	110,000
2033	120,000
2034	125,000
2035	130,000
2036	135,000
2037	145,000
2038	150,000

Year	Amount
2039	160,000
2040	165,000
2041	175,000
2042 (Maturity)	180,000

The principal amount of Series 2007 Bonds maturing March 1, 2042, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2007 Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

In the event of any redemption of less than all outstanding Series 2007 A Bonds, the maturities to be redeemed shall be selected by the Paying Agent at the direction of the Issuer and Series 2007 A Bonds to be redeemed shall be determined by lot within a maturity, or in such other manner deemed appropriate by the Paying Agent. If less than all the Series 2007 A Bonds are to be redeemed, the Series 2007 A Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Series 2007 A Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2007 A Bond or Series 2007 A Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Paying Agent. Such notice shall also be given by the Paying Agent to the Registrar. Notice of redemption having been given as aforesaid, the Series 2007 A Bonds or portions of Series 2007 A Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Series 2007 A Bonds or portions of Series 2007 A Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Series 2007 A Bond.

The Series 2007 A Bonds and the interest thereon are payable only from and are secured by the Gross Revenues (as defined in the Ordinance) to be derived from the operation of the System, on a parity in all respects with the pledge of the Gross Revenues created in favor of the holders of the First Lien Bonds and senior and prior to the Second Lien Bonds, all monies in the Series 2007 A Bonds Sinking Fund, and the Series 2007 A Bonds Reserve Account therein, established under the Ordinance, and the unexpended proceeds of the Series 2007 A Bonds, and the Issuer hereby and in the Ordinance pledges such revenues and monies to such payment. Said Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Ordinance. This Series 2007 A Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Gross Revenues, the monies in the Series 2007 A Bonds Sinking Fund and the Series 2007 A Bonds Reserve Account and said unexpended Series 2007 A Bond proceeds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal

to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Series 2007 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 2007 A Bonds, including the Prior Bonds. The Issuer has entered into certain further covenants with the registered owners of the Series 2007 A Bonds, for the terms of which reference is made to the Ordinance. Remedies provided the registered owners of the Series 2007 A Bonds are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued and capitalized interest thereon shall be applied solely to pay all costs of the Project, fully fund a reserve account for the Series 2007 A Bonds, and pay costs of issuance of the Bonds, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owners of said Series 2007 A Bonds.

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 Series 2007 A 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 Series 2007 A Bond, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Series 2007 A Bonds of which this Series 2007 A Bond is one.

This Series 2007 A Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the within-described Ordinance.

This Series 2007 A Bond has been designated by the Issuer as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

This Series 2007 A Bond shall not be entitled to any benefit under the Ordinance, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

All provisions of the Ordinance, as defined on the reverse hereof, and the statutes under which this Series 2007 A Bond is issued shall be deemed to be a part of the contract evidenced by this Series 2007 A Bond to the same extent as if written fully herein.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the TOWN OF MOOREFIELD (West Virginia) has caused this Bond to be signed by its Mayor, and its corporate seal to be imprinted hereon and attested by its Recorder, and has caused this Series 2007 A Bond to be dated as of the Series 2007 A Bond Date specified above.

[SEAL]

Mayor

ATTEST:

Recorder

CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This Series 2007 A Bond is one of the fully registered Series 2007 A Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Series 2007 A Bonds.

Dated: March 16, 2007.

UNITED BANK, INC., as Registrar

By: _____
Its: Authorized Officer

SPECIMEN

(FORM OF)
ASSIGNMENT

Social Security or Other Identifying Number of Assignee _____

_____

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

_____

_____ the within Bond and does hereby irrevocably constitute and appoint

_____

_____ to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____, _____.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

SPECIMEN

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-2 $260,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF MOOREFIELD (WEST VIRGINIA)
WATER REVENUE BONDS, SERIES 2007 A (TAX-EXEMPT)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
4.300%	March 1, 2017	March 1, 2007	61586PAB4

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TWO HUNDRED SIXTY THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That the TOWN OF MOOREFIELD (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on March 1 and September 1, in each year, beginning September 1, 2007 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter-described Ordinance.

SPECIMEN

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-3 $320,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF MOOREFIELD (WEST VIRGINIA)
WATER REVENUE BONDS, SERIES 2007 A (TAX-EXEMPT)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
4.600%	March 1, 2022	March 1, 2007	61586PAC2

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THREE HUNDRED TWENTY THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That the TOWN OF MOOREFIELD (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on March 1 and September I, in each year, beginning September 1, 2007 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter-described Ordinance.

SPECIMEN

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-4 $405,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF MOOREFIELD (WEST VIRGINIA)
WATER REVENUE BONDS, SERIES 2007 A (TAX-EXEMPT)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
4.750%	March 1, 2027	March 1, 2007	61586PAD0

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FOUR HUNDRED FIVE THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That the TOWN OF MOOREFIELD (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on March 1 and September 1, in each year, beginning September 1, 2007 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter-described Ordinance.

SPECIMEN

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-5 $290,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF MOOREFIELD (WEST VIRGINIA)
WATER REVENUE BONDS, SERIES 2007 A (TAX-EXEMPT)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
4.900%	March 1, 2030	March 1, 2007	61586PAE8

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TWO HUNDRED NINETY THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That the TOWN OF MOOREFIELD (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on March 1 and September 1, in each year, beginning September 1, 2007 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter-described Ordinance.

SPECIMEN

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-6 $1,700,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF MOOREFIELD (WEST VIRGINIA)
WATER REVENUE BONDS, SERIES 2007 A (TAX-EXEMPT)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
5.000%	March 1, 2042	March 1, 2007	61586PAF5

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ONE MILLION SEVEN HUNDRED THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That the TOWN OF MOOREFIELD (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on March 1 and September 1, in each year, beginning September 1, 2007 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter-described Ordinance.

STEPTOE & JOHNSON PLLC
ATTORNEYS AT LAW
Clarksburg Charleston Morgantown Martinsburg Wheeling Huntington

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Charleston, WV 25326-1588
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www.steptoe-johnson.com

Writer's Contact Information

March 16, 2007

Town of Moorefield (West Virginia)
Water Revenue Bonds, Series 2007 A (Tax-Exempt)

Town of Moorefield
Moorefield, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by the Town of Moorefield (West Virginia) (the "Issuer") of its $3,155,000 aggregate principal amount Water Revenue Bonds, Series 2007 A (Tax-Exempt) (the "Bonds").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act") and a Bond Ordinance duly enacted by the Issuer on February 28, 2007, as supplemented by a Supplemental Parameters Resolution duly adopted by the Issuer on February 28, 2007 (said Ordinance, as so supplemented, herein called the "Ordinance") and are subject to all the terms and conditions of the Ordinance.

The Bonds are issued in fully registered form, are dated March 1, 2007, upon original issuance, mature on March 1 in years and amounts and bear interest payable each March 1 and September 1, commencing September 1, 2007, and are subject to optional and mandatory sinking fund redemption prior to maturity on the dates, in the amounts and at the redemption prices, all as set forth in the Ordinance.

The Ordinance provides that the issue is for the purposes of providing funds to design, acquire and construct extensions, additions, betterments and improvements to the waterworks system of the Town, to fund the Debt Service Reserve Fund and to pay costs of issuance of the Bonds and other costs in connection with such issue.

There are outstanding obligations of the Issuer which will rank either on a parity with or junior and subordinate to, the Bonds as to liens, pledge, source of and security for payment, as follows:

Designation	Lien Position
Water Revenue Bonds, Series 1987,dated November 20, 1987, issued in the original aggregate principal amount of $443,275 (the "Series 1987 Bonds")	First Lien
Water Revenue Bonds, Series 1992 A, dated May 28, 1992, issued in the original aggregate principal amount of $1,451,613 (the "Series 1992 A Bonds")	First Lien
Supplemental Water Revenue Bonds, Series 1987, dated November 20, 1987, issued in the original aggregate principal amount of $108,725 (the "Series 1987 Supplemental Bonds")	Second Lien
Water Revenue Bonds, Series 1992 B, dated May 28, 1992, issued in the original aggregate principal amount of $48,387 (the "Series 1992 B Bonds")	Second Lien

The Series 1987 A Bonds and the Series 1992 A Bonds are hereinafter collectively called the "First Lien Bonds." The Series 1987 B Bonds and the Series 1992 B Bonds are hereinafter called the "Second Lien Bonds". The First Lien Bonds and the Second Lien Bonds are collectively referred to as the "Prior Bonds". The ordinances which authorized the issuance of the Prior Bonds are herein collectively referred to as the "Prior Ordinances."

The Series 2007 A Bonds shall be issued on a parity with one another and with the First Lien Bonds, all of which shall have a first lien position with respect to pledge and source of and security for payment and in all other respects, and senior and prior to the Second Lien Bonds. The Issuer has met the coverage requirements for issuance of parity bonds of the Prior Bonds and the Prior Ordinances authorizing the Prior Bonds and has substantially complied with all other parity requirements, except to the extent that noncompliance with any such other parity requirements is not of a material nature. The Issuer has received the consent of the holders of the Second Lien Bonds to the issuance of the Series 2007 A Bonds.

The Bonds have been sold to Crews & Associates, Inc. (the "Purchaser"), pursuant to a Bond Purchase Agreement dated March 12, 2007, and accepted by the Issuer (the "Bond Purchase Agreement").

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

Based upon the foregoing, and assuming compliance with the covenants, representations and certifications of the Issuer and others, pertaining to tax matters set forth in the Ordinance and with certain certificates delivered in connection with the issuance of the Bonds, we are of the opinion, under existing law, that:

1. The Issuer is a duly created and validly existing municipal corporation under and pursuant to the laws of the State of West Virginia, with full power and authority to enact the Ordinance, enter into the Bond Purchase Agreement, perform its obligations under the terms and provisions thereof and to issue and sell the Bonds, all under the provisions of the Act and other applicable provisions of law.

2. The Issuer, through its governing body, has legally and effectively enacted the Ordinance, has authorized, executed and delivered the Bond Purchase Agreement and has issued and delivered the Bonds to the Purchaser pursuant to the Bond Purchase Agreement. The Ordinance is in full force and effect as of the date hereof.

3. Assuming due authorization, execution and delivery by the other parties thereto, the Bond Purchase Agreement constitutes a valid, legal, binding and enforceable instrument of the Issuer in accordance with its terms; and the Bonds, subject to the terms thereof, constitute valid and legally enforceable limited obligations of the Issuer, payable from the Gross Revenues and issued on a parity with respect to liens, pledge and sources of and security for payment with the Outstanding Prior Bonds, and enforceable in accordance with their terms and the terms of the Ordinance, and are entitled to the benefits of the Ordinance and the Act.

4. Under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Bonds (including original issue discount properly allocable to owners of the Bonds) is excludable from gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon

individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. Ownership of tax-exempt obligations, including the Bonds, may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. We offer no opinion as to such collateral tax consequences. Prospective purchasers of the Bonds should consult their own tax advisors as to such consequences. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Internal Revenue Code of 1986, as amended, and regulations thereunder (the "Code") that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Ordinance and the certificate relating to arbitrage. Failure to comply with such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. Except as set forth in paragraph 6, below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under the Act, the Bonds and the interest thereon, are exempt from all taxation by the State of West Virginia and any county, municipality, political subdivision or agency thereof.

6. The Issuer has designated the Bonds as "qualified tax-exempt obligations" for purposes of the Code, and has covenanted that it does not reasonably expect to issue more than $10,000,000 of tax-exempt obligations (other than private activity bonds and obligations issued to currently refund any obligation of the Issuer to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligations) during the calendar year 2007. Therefore, the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. The provisions of the Code which disallow all deductibility of interest expense incurred by financial institutions on debt incurred or continued to carry most tax-exempt obligations will not apply to the Bonds, and accordingly, 80% of the interest expense of a financial institution incurred for the purpose of purchasing or carrying the Bonds will be deductible for federal income tax purposes.

7. The Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and the West Virginia Uniform Securities Act, as amended, and it is not necessary, in connection with the public offering and sale of the Bonds, to register any securities under said Securities Acts.

It is to be understood that the rights of the holders of the Bonds and the enforceability of liens, pledges, rights or remedies with respect to the Bonds, the Ordinance and the Bond Purchase Agreement are subject to any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws heretofore or hereafter enacted affecting creditors' rights or remedies generally, and that their enforcement may also be subject to the application of public policy, general principles of equity and the exercise of judicial discretion in appropriate cases.

We have examined the executed and authenticated Bond No. AR-1 of said issue, and in our opinion, said Bond is in proper form and has been duly executed and authenticated.

Very truly yours,

STEPTOE & JOHNSON PLLC

621500.00002

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Writer's Contact Information

March 16, 2007

$3,155,000
Town of Moorefield (West Virginia)
Water Revenue Bonds, Series 2007 A (Tax-Exempt)

Town of Moorefield
Moorefield, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance and sale by the Town of Moorefield (the "Issuer") of its $3,155,000 aggregate principal amount of Water Revenue Bonds, Series 2007 A (Tax-Exempt) (the "Series 2007 A Bonds"). In our capacity as bond counsel, we are delivering an opinion of even date herewith concerning the legality of the Series 2007 A Bonds and the exclusion of interest on the Series 2007 A Bonds from gross income for federal income tax purposes (the "Bond Opinion"). We have examined the documents and instruments as described in the Bond Opinion, the Official Statement and such other matters as we have deemed necessary or appropriate to render this opinion. Words and terms used in this opinion shall have the meanings assigned to them in the Bond Purchase Agreement (the "Purchase Agreement") dated March 12, 2007, between the Issuer and Crews & Associates, Inc. (the "Underwriter"), and approved by the Issuer.

Based upon the foregoing, we are of opinion that:

(1) The Purchase Agreement, the Tax and Non-Arbitrage Certificate, the Continuing Disclosure Certificate, the Preliminary Official Statement and the Official Statement have been duly authorized, executed, and delivered by the Issuer and, assuming due authorization, execution and delivery by the other parties thereto, are legal, valid and binding agreements of the Issuer enforceable in accordance with their respective terms (except as enforcement of remedies may be limited by bankruptcy, insolvency or other laws or equitable principles affecting the rights of creditors).

(2) The Issuer, under the Act, has full power and authority to adopt the Ordinance, enter into the Continuing Disclosure Certificate and the Purchase Agreement and perform its obligations thereunder.

(3) The Issuer has duly ratified the distribution of the Preliminary Official Statement, the Official Statement has been duly approved, signed and delivered by the Issuer, and the Issuer has authorized the distribution of the Official Statement and the use thereof by the Underwriter in connection with the public offering of the Series 2007 A Bonds.

(4) The statements contained in the Official Statement under the captions "Tax Matters," are true and accurate in all material respects and presents a fair and accurate summary and description of the matters summarized and described under such caption.

(5) The statements contained in the Official Statement under the captions "Additional Security for the Series 2007 A Bonds," "The Series 2007 A Bonds," (except for the statements made under the sub-captions "Book-Entry Only System" with respect to The Depository Trust Company), and "Financing Plan," insofar as such statements contained under such captions purport to summarize certain matters set forth therein and certain provisions of the Ordinance, are complete and accurate and present a fair summary of the matters referred to therein and of the Ordinance.

(5) The Series 2007 A Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Ordinance is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended.

Very truly yours,

STEPTOE & JOHNSON PLLC

03.07.07
621500.00002

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Writer's Contact Information

March 16, 2007

Town of Moorefield (West Virginia)
Water Revenue Bonds, Series 2007 A (Tax-Exempt)

Crews & Associates, Inc.
As the Underwriter named in the
Bond Purchase Agreement dated March 12, 2007,
by and between said Underwriter and
the Town of Moorefield

Town of Moorefield
Moorefield, West Virginia

Ladies and Gentlemen:

We have served as bond counsel with respect to the above-referenced bonds (the "Series 2007 A Bonds"). The initial public offering prices of the Series 2007 A Bonds maturing on March 1, 2042 (the "Discount Bonds"), are less than the respective amounts payable on such Discount Bonds at maturity. The difference between the initial public offering price at which such Discount Bonds were sold and the amount payable at maturity constitutes an original issue discount ("OID"). In the case of any original Holder of a Discount Bond, the amount of the OID which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the Holder in determining, for Federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity).

Interest in the form of OID is treated as compounding semiannually on days which are determined by reference to the maturity date of the Discount Bonds. The amount of OID, which is treated as having accrued in respect of a Discount Bond for any particular semiannual compounding period, is equal to the difference between the product of (a) one-half of the yield for the Discount Bonds (adjusted as necessary for an initial short period) and (b) the tax basis of the Discount Bond during such period. For purposes of the preceding sentence, the tax basis of a Discount Bond, if held by an original purchaser, can be determined by adding to the initial public offering price of such Discount Bond the OID that is treated as having accrued during all prior semiannual compounding periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, the OID that would have accrued for that semiannual compounding period for Federal income tax purposes is to be apportioned in equal amount among the days in such compounding period. Holders of Discount Bonds should consult their own tax advisors with respect to the determination for Federal income tax purposes of OID accrued upon sale or redemption of such Discount Bonds, and with respect to the state and local tax consequences of owning such Discount Bonds.

Very truly yours,

STEPTOE & JOHNSON PLLC

621500.00002

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March 16, 2007

Crews & Associates, Inc.
Charleston, West Virginia

Re: Town of Moorefield (West Virginia)
Water Revenue Bonds
Series 2007 A (Tax-Exempt)

Ladies and Gentlemen:

We have acted as counsel to you (the "Underwriter") in connection with the issuance and sale by the Town of Moorefield (the "Town") of its Water Revenue Bonds, Series 2007 A (Tax-Exempt), in the aggregate principal amount of $3,155,000 (the "Series 2007 A Bonds"). In connection with rendering this opinion, we have examined the Official Statement dated March 9, 2007, the Bond Purchase Agreement dated March 12, 2007 (the "Purchase Agreement"), and Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"). Capitalized terms used but not defined herein shall have the meanings set forth in the Purchase Agreement.

Based upon the foregoing review, we are of the opinion that you are not required to comply with the requirements of paragraph (b)(5) of the Rule.

Without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the basis of our conferences with representatives of the Town, counsel for the Town, Bond Counsel and the Underwriter, and our examination of certain documents referred to in the Official Statement, nothing has come to our attention that would lead us to believe that the Official Statement (excluding therefrom the statistical and financial data included in the Official Statement, including Appendices A and B thereto as to which we express no opinion) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

This opinion is solely for the benefit of, and may be relied upon only by, the Underwriter; and it is not to be used, circulated, quoted or otherwise referred to for any other purpose, except that a copy hereof may be included in the transcript of closing documents pertaining to the delivery of the Series 2007 A Bonds.

Respectfully submitted,

Goodwin + Goodwin, LLP

GOODWIN & GOODWIN, LLP

WALTERS, KRAUSKOPF & BAKER
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204 N. ELM STREET
P. O. BOX 119
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JACK H. WALTERS
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March 16, 2007

$3,155,000
Town of Moorefield (West Virginia)
Water Revenue Bonds, Series 2007 A (Tax-Exempt)

Town of Moorefield
Moorefield, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Steptoe & Johnson, PLLC
Charleston, West Virginia

Ladies and Gentlemen:

I have served as counsel for the Town of Moorefield, West Virginia (the "Issuer") and have acted as such in connection with the sale of the above-referenced Bonds (the "Series 2007 A Bonds"), which are being delivered and sold pursuant to a Bond Purchase Agreement dated as of March 12, 2007 (the "Purchase Agreement"), by and between Crews & Associates, Inc. (the "Underwriter") and the Issuer. All capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Purchase Agreement.

In this connection, I have reviewed and examined certain proceedings and documents with respect to the Series 2007 A Bonds, any such records, certificates and other documents as I have considered necessary or appropriate for the purposes of this opinion, the Constitution and the laws of the State of West Virginia, specifically Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (collectively, the "Act"), the Ordinance of the Issuer relating to the Series 2007 A Bonds enacted on February 28, 2007, as supplemented by a Supplemental Parameters Resolution adopted February 28, 2007 (collectively, the "Ordinance"), the Continuing Disclosure Certificate (the "Undertaking"), the Purchase Agreement, the Preliminary Official Statement dated March 9, 2007, and the Official Statement dated March 12, 2007, with respect to the issuance and offering of the Series 2007 A Bonds (collectively, the "Official Statement") and a closing certificate of the Issuer. Based on such review and such other considerations of law and fact as I believe to be relevant, I am of the opinion that:

1. The Issuer is a municipal corporation duly organized and existing under the laws and Constitution of the State of West Virginia. The Issuer is authorized by the laws of the State of West Virginia, as provided by the Act, to enter into and perform its obligations under the Ordinance, the Undertaking, and the Purchase Agreement.

2. The Issuer has full power and authority to consummate all transactions contemplated by the Series 2007 A Bonds, the Undertaking, the Purchase Agreement and any other agreements relating thereto, to which the Issuer is a party.

3. The Issuer has duly authorized all action necessary to be taken by it or on its behalf for (i) the design, acquisition and construction of the Project; (ii) the execution and delivery of the Undertaking and the Purchase Agreement; (iii) the approval of the distribution of the Official Statement; (iv) the ratification of the actions of the Issuer and the issuance and delivery of the Series 2007 A Bonds upon the terms set forth in the Ordinance; and (v) the carrying out, giving effect to and consummation of the transactions contemplated thereby.

4. The Purchase Agreement and Undertaking have been duly and validly authorized, executed and delivered by the Issuer and the same are in full force and effect as of the date hereof and are valid and legally binding obligations of the Issuer, enforceable against the Issuer in accordance with their respective terms, except to the extent the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally.

5. The Ordinance has been duly adopted and enacted at meetings of the governing body (Council) of the Issuer which were called and held pursuant to law and in accordance with all applicable open meeting laws and at which a quorum was present and acting at the time of the enactment of the Ordinance, and remains in full force and effect as of the date hereof.

6. The execution and delivery by the Issuer of the Undertaking and the Purchase Agreement and the performance of its obligations thereunder do not and will not result in a violation of any provision of, or in default under, the West Virginia statutes organizing and governing the Issuer or, to the best of my knowledge after diligent inquiry and review of the Issuer's records, any agreement or other instrument to which the Issuer is a party or by which it or its properties are bound.

7. The Issuer has complied with all requirements of the Act that must be satisfied upon and subsequent to issuance of the Bonds. All actions necessary to be taken by the Issuer have been taken, and no additional approval, authorization, consent or other order of the Issuer or any public board or body is legally required to allow the Issuer to acquire and construct the Project, to enter into and perform its obligations under the Purchase Agreement and the Undertaking or as described in the Official Statement.

8. The Issuer is not in violation of any provision of, or in default under, West Virginia statutes organizing and governing the Issuer.

9. To the best of my knowledge, after due inquiry, there is no litigation pending, or to my knowledge, threatened in any court in any way affecting the existence of the Issuer or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the issuance or delivery of the Series

2007 A Bonds, or the collection of revenues and assets of the Issuer pledged or to be pledged to pay the principal of and interest on the Series 2007 A Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Series 2007 A Bonds, the Ordinance or the Purchase Agreement, or contesting the powers of the Issuer with respect to the Series 2007 A Bonds, the Ordinance or the Purchase Agreement or any transaction described in or contemplated by the Official Statement.

10. All approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, legislative body, board, agency or commission having jurisdiction which would constitute conditions precedent to, or the absence of which would materially adversely affect, the due performance by the Issuer of its obligations under the Ordinance, the Series 2007 A Bonds or the Purchase Contract, have been duly obtained and are in full force and effect, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Series 2007 A Bonds, as to which no opinion is hereby expressed.

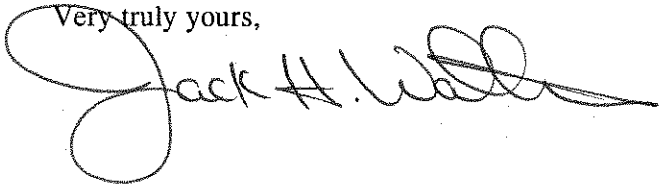
11. The Ordinance creates a legally valid and binding pledge of, and lien and charge upon, the security, for payment of the principal of, premium, if any, and interest on the Series 2007 A Bonds as the same become due and for the other purposes provided in the Ordinance, subject only to the provisions of the Ordinance permitting application thereof on the terms and conditions set forth in the Ordinance.

12. Based upon my experience as counsel for the Issuer and on my review of the Official Statement, and after diligent inquiry, the statements and information contained in the Official Statement under the captions or sub captions "The Project, "Financing Plan" and "The System" insofar as such statements contained under such caption purport to summarize certain matters set forth therein and certain provisions of the Ordinance, are complete and accurate and present a fair summary of the matters referred to therein; the Official Statement contains no untrue statement of a material fact or omit to state any material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect.

I hereby consent to the references made to me in the Official Statement.

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

Very truly yours,



03.13.07
621500.00002

$3,155,000

TOWN OF MOOREFIELD (WEST VIRGINIA)
WATER REVENUE BONDS, SERIES 2007 A (TAX-EXEMPT)

GENERAL CERTIFICATE OF THE TOWN OF MOOREFIELD ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS AND BIDDING
4. LAND AND RIGHTS-OF-WAY
5. CONTRACTORS' INSURANCE, ETC.
6. RATES
7. PUBLICATION OF NOTICES
8. AWARD OF SERIES 2007 A BONDS; SIGNATURES
9. DELIVERY AND PAYMENT
10. CERTIFICATION OF DOCUMENTS
11. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
12. MEETINGS, ETC.
13. INCUMBENCY AND OFFICIAL NAME
14. PUBLICATION AND PUBLIC HEARING ON BOND ORDINANCE
15. PUBLIC SERVICE COMMISSION
16. PRIVATE USE OF FACILITIES
17. NO FEDERAL GUARANTY
18. IRS INFORMATION RETURN
19. OFFICIAL STATEMENT CERTIFICATION
20. CERTIFICATIONS REGARDING BOND PURCHASE AGREEMENT
21. DESIGNATION OF REGISTRAR, PAYING AGENT AND DEPOSITORY BANK
22. EXECUTION OF COUNTERPARTS

On the 16th day of March, 2007, we, the undersigned MAYOR and RECORDER of the Town of Moorefield, West Virginia (the "Issuer"), and the undersigned ATTORNEY for the Issuer, hereby certify on this the 16th day of March, 2007, in connection with the $3,155,000 aggregate principal amount of the Town of Moorefield (West Virginia) Water Revenue Bonds, Series 2007 A (Tax-Exempt) (the "Series 2007 A Bonds"), as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined herein shall have the same meanings as set forth in the Bond Ordinance of the Issuer enacted February 28, 2007, as supplemented by a Supplemental Parameters Resolution adopted February 28, 2007 (collectively, the "Ordinance").

2. NO LITIGATION: No controversy or litigation of any nature is now pending or threatened, restraining, enjoining, or affecting in any manner the issuance and delivery of the Series 2007 A Bonds or the collection of the Gross Revenues of the System or the pledge thereof to the payment of the principal of and interest on the Series 2007 A Bonds, nor in any manner questioning the proceedings and authority by which the Issuer authorized the issuance and sale of the Series 2007 A Bonds nor in any manner affecting the validity or enforceability of the Series 2007 A Bonds, the Ordinance or the Bond Purchase Agreement or any agreement or instrument relating thereto, used or contemplated by the Bond Purchase Agreement or any provisions made or authorized for the payment of the Series 2007 A Bonds; nor in any manner questioning the valid existence of the Issuer or the authority or titles of the, Mayor, Recorder and the members of the Council and other officials of the Issuer to their respective offices; nor in any manner questioning any proceeding, procedure, action or thing followed, taken or done in connection with the Series 2007 A Bonds which is not set forth in the Official Statement relating to the Series 2007 A Bonds.

3. GOVERNMENTAL APPROVALS AND BIDDING: All applicable approvals and certificates required by law for acquisition and construction of the Project, operation of the System and issuance of the Series 2007 A Bonds have been obtained, or will be obtained prior to construction, and, to the extent such approvals and certificates have been obtained as of the date hereof, remain in full force and effect. Competitive bids for construction of the Project will be solicited in accordance with Chapter 5, Article 22, Section 1 of the Official West Virginia Code of 1931, as amended.

4. 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 operation and maintenance of the System have been acquired or can and will be acquired by purchase, or, if necessary, by condemnation by the Issuer and are adequate for such purposes and are not or will not be subject to any liens, encumbrances, reservations or exceptions which would adversely affect or interfere in any way with the use thereof for such purposes. The costs thereof, including costs of any properties which may have to be acquired by condemnation are, in the opinion of all the undersigned, within the ability of the Issuer to pay for the same without jeopardizing the security of or payments on the Series 2007 A Bonds.

5. CONTRACTORS' INSURANCE, ETC.: All contractors will be required to maintain Worker's Compensation, public liability and property damage insurance, and builder's risk insurance where applicable, with commercially reasonable limits. All insurance for the System required by the Ordinance is in full force and effect. The System is not presently covered by policies of flood or business interruption insurance, but will be if such coverages are available at reasonable cost.

6. RATES: The Public Service Commission of West Virginia has set the rates and charges for the services of the System in Case No.05-0882-W-MA. Such rate ordinance is presently in full force and effect. Such rates meet the coverage requirements set forth in Section 6.04 of the Bond Ordinance.

7. PUBLICATION OF NOTICES: Notice of the public hearing upon the Ordinance was duly published as required by law. There was no protest to the enactment of the Ordinance, and the Ordinance became fully effective February 28, 2008, and remains in full force and effect.

8. AWARD OF SERIES 2007 A BONDS; SIGNATURES: The Series 2007 A Bonds were awarded to Crews & Associates, Inc. (the "Underwriter"), upon a negotiated basis at the price $3,048,466 (par amount, less Underwriter's discount of $78,875, less an original issue discount of $27,659), plus accrued interest from March 1, 2007 to March 16, 2007 in the amount of $6,321.98. As of the date hereof, the Series 2007 A Bonds were duly signed by the manual signatures of the Mayor, and the official seal of the Issuer, which seal is impressed upon this Certificate, was impressed or imprinted thereon and attested by the manual signature of the Recorder.

9. DELIVERY AND PAYMENT: The undersigned Mayor did, on the date hereof, deliver to the Underwriters, the entire issue of the Series 2007 A Bonds, in various denominations and numbered AR-I to AR-6, inclusive. At the time of delivery of the Series 2007 A Bonds, there was paid to, or on behalf of the Issuer, the agreed price therefor as follows:

Par Amount	$3,155,000.00
Less: Underwriter's Discount	($ 78,875.00)
Original Issue Discount	($ 27,659.00)
Plus: Accrued Interest From March 1, 2007 to March 16, 2007	$ 6,321.98
TOTAL	$3,054,787.98

10. CERTIFICATION OF DOCUMENTS: There are delivered herewith true and correct copies of the following documents, all which remain in full force and effect and have not been amended, modified, supplemented or repealed unless changed by the terms of other documents listed below:

Bond Ordinance

Supplemental Parameters Resolution

Certificate of Determination

Continuing Disclosure Certificate

Town Charter

Town Council Rules of Procedure

Oaths of Office of Councilmembers

Public Service Commission Orders

Certified Copies of Minutes on Enactment of Bond Ordinance and Adoption of Supplemental Parameters Resolution

Tax and Non-Arbitrage Certificate

Prior Bonds Ordinances and Supplemental Parameters Resolutions

Preliminary Official Statement

Official Statement

Bond Purchase Agreement

11. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the Issuer or the System since March 9, 2007. The Series 2007 A Bonds are issued on a parity with respect to liens, pledge and source of and security for payment and in all respects, with the Issuer's:

Designation	Lien Position
Water Revenue Bonds, Series 1987,dated November 20, 1987, issued in the original aggregate principal amount of $443,275 (the "Series 1987 Bonds")	First Lien

Water Revenue Bonds, Series 1992 A, dated May 28, 1992, issued in the original aggregate principal amount of $1,451,613 (the "Series 1992 A Bonds")	First Lien
Supplemental Water Revenue Bonds, Series 1987, dated November 20, 1987, issued in the original aggregate principal amount of $108,725 (the "Series 1987 Supplemental Bonds")	Second Lien
Water Revenue Bonds, Series 1992 B, dated May 28, 1992, issued in the original aggregate principal amount of $48,387 (the "Series 1992 B Bonds")	Second Lien

The Series 1987 A Bonds and the Series 1992 A Bonds are hereinafter collectively called the "First Lien Bonds." The Series 1987 B Bonds and the Series 1992 B Bonds are hereinafter called the "Second Lien Bonds". The First Lien Bonds and the Second Lien Bonds are collectively referred to as the "Prior Bonds". The ordinances which authorized the issuance of the Prior Bonds are herein collectively referred to as the "Prior Ordinances."

The Series 2007 A Bonds shall be issued on a parity with one another and with the First Lien Bonds, all of which shall have a first lien position with respect to pledge and source of and security for payment and in all other respects, and senior and prior to the Second Lien Bonds. The Issuer has met the coverage requirements for issuance of parity bonds of the Prior Bonds and the Prior Ordinances authorizing the Prior Bonds and has substantially complied with all other parity requirements, except to the extent that noncompliance with any such other parity requirements is not of a material nature. The Issuer has received the consent of the holders of the Second Lien Bonds to the issuance of the Series 2007 A Bonds.

12. MEETINGS, ETC.: All actions, ordinances, resolutions, orders and agreements taken by and entered into by or on behalf of the Issuer in any way connected with the issuance of the Series 2007 A Bonds were authorized or adopted at meetings of the Council of the Issuer duly and regularly called and held pursuant to the Town Charter and Town Council Rules of Procedure, and all applicable statutes, including Chapter 6, Article 9A of the Official West Virginia Code of 1931, as amended, and a quorum of duly elected, qualified and acting members of the council was present and acting at all times during all such meetings.

13. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Issuer is the "Town of Moorefield." The Issuer is a municipal corporation in Hardy

County and is presently existing under the laws of, and a political subdivision of, the State of West Virginia. The governing body of the Issuer is its Council, consisting of a Mayor, a Recorder and 5 councilmembers, all duly elected or appointed, as applicable, qualified and acting, and whose names and dates of commencement and termination of current terms of office are as follows:

Name			Date of Commencement of Office	Date of Termination of Office
Gary Stalnaker	-	Mayor	July 1, 2005	June 30, 2009
Phyllis J. Sherman	-	Recorder	July 1, 2003	June 30, 2007
Carlton Hilliard	-	Councilmember	July 1, 2003	June 30, 2007
Steven Wilson	-	Councilmember	July 1, 2005	June 30, 2009
Marshall Combs, II	-	Councilmember	July 1, 2005	June 30, 2007
Larry Kuykendall	-	Councilmember	July 1, 2003	June 30, 2007
Beverly Baker	-	Councilmember	July 1, 2005	June 30, 2009

The duly appointed and acting Town Attorney to the Issuer is Jack Walters, Esquire.

14. PUBLICATION AND PUBLIC HEARING ON BOND ORDINANCE: Upon adoption of the Bond Ordinance, an abstract thereof, determined by the Council of the Issuer to contain sufficient information as to give notice of the contents thereof, was published once each week for 2 successive weeks, with not less than 6 full days between each publication, the first such publication occurring not less than 10 days before the date stated below for the public hearing, in The Moorefield Examiner, a newspaper of general circulation in the Town of Moorefield, together with a notice to all persons concerned, stating that the Bond Ordinance had been adopted and that the Issuer contemplated the issuance of the Series 2007 A Bonds described in such Ordinance, stating that any person interested may appear before the Council at the public hearing held at a public meeting of Council on the 28th day of February, 2008, at 7:00 p.m., in the Council Chambers of the City Hall of the Town of Moorefield and present protests, and stating that a certified copy of the Ordinance was on file at the office of the Recorder of the Issuer for review by interested parties during the office hours of the Recorder. At such hearing all objections and suggestions were heard by the Council of the Issuer and the Bond Ordinance became finally adopted, enacted and effective as of the date of such public hearing, and remains in full force and effect.

15. PUBLIC SERVICE COMMISSION: The Issuer has received the Recommended Decision and Commission Orders of the Public Service Commission of West Virginia (the "PSC") entered on October 24, 2005, January 13, 2005 and March 9, 2007, respectively, in Case No. 05-0812-W-CN, approving the project, the financing and the rates. The time for appeal of the Orders dated October 24, 2005 and January 13, 2005 have expired prior to the date hereof without any appeal. The time for appeal of the March 9, 2006, Order has not expired prior to the date hereof. However, the Issuer hereby certifies that it will not appeal such Order and the other parties to such Order have stated that they do

not intend to appeal such Order. All Orders remain in full force and effect.

16. PRIVATE USE OF FACILITIES: The Issuer shall at all times take, and refrain from taking, and shall not fail to take, any and all actions necessary in order to assure the initial and continued tax-exempt status of the Series 2007 A Bonds and the interest thereon. Less than 10% of the proceeds of the Series 2007 A Bonds will be used, directly or indirectly, for any private business use, and less than 10% of the payment of principal of, or the interest on, such issue, under the terms of such issue or any underlying arrangement, is, directly or indirectly, secured by any interest in property used or to be used for a private business use, payments in respect of such property, or to be derived from payments (whether or not to the Issuer) in respect of property, or borrowed money, used or to be used for a private business use. None of the proceeds of the Series 2007 A Bonds will be used, directly or indirectly, for any private business use which is not related to the governmental use of the proceeds of the Series 2007 A Bonds, including the disproportionate related business use of the proceeds of the Series 2007 A Bonds, and none of the payment of principal of or interest on, or the interest on, such issue, under the terms of any underlying arrangement, is, directly or indirectly, secured by any interest in property used, or to be used for a private business use, payments in respect of such property or to be derived from payments (whether or not to the Issuer) in respect of property, or borrowed money, used or to be used for a private business use with respect to such private business use, which is not related to any government use of such proceeds, including the disproportionate business use of the issue of the Series 2007 A Bonds. None of the proceeds of the issue of the Series 2007 A Bonds will be used, directly or indirectly, to make or finance loans to persons other than governmental units. For purposes of this paragraph, private business use means use, directly or indirectly, in a trade or business carried on by any person other than a governmental unit, other than use as a member of the general public. All of the foregoing shall be determined in accordance with and within the meaning of the Internal Revenue Code of 1986, as amended, including any successor provisions and rules and regulations thereunder.

17. NO FEDERAL GUARANTY: The Series 2007 A Bonds are not, in whole or part, and will not be, directly or indirectly, federally guaranteed within the meaning of Section 149(b) of the Code.

18. IRS INFORMATION RETURN: On the date hereof, the undersigned Mayor did officially sign a properly completed IRS Form 8038-G and will cause such executed Form 8038-G to be filed in a timely manner with the Internal Revenue Service Center, Ogden, Utah.

19. OFFICIAL STATEMENT CERTIFICATION: At and since the date of the Official Statement nothing has come to the attention of any signer hereof which would lead any such signer to believe that the Official Statement contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

20. CERTIFICATIONS REGARDING BOND PURCHASE AGREEMENT: In addition to the foregoing, the undersigned Mayor hereby certifies, as follows: (i) the representations and warranties of the Issuer contained herein are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing; (ii) (a) except as set forth in the Official Statement, no litigation is pending or, to our knowledge, threatened in any court to restrain or enjoin the issuance or delivery of any of the Series 2007 A Bonds, or in any way contesting or affecting the validity of the Series 2007 A Bonds, the Ordinance, or the Bond Purchase Agreement for the Series 2007 A Bonds, or contesting the powers of the Issuer or any authority for the issuance of the Series 2007 A Bonds or the Ordinance, and (b) except as set forth in the Official Statement, there is no litigation pending, or, to the knowledge of said Mayor, threatened against the Issuer in any way affecting the existence of the Issuer or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the issuance or delivery of the Series 2007 A Bonds, or the collection of revenues and assets of the Issuer pledged or to be pledged to pay the principal of and interest on the Series 2007 A Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Series 2007 A Bonds, the Ordinance or the Bond Purchase Agreement for the Series 2007 A Bonds, or contesting the powers of the Issuer with respect to the Series 2007 A Bonds, the Ordinance or the Bond Purchase Agreement for the Series 2007 A Bonds or any transaction described in or contemplated by the Official Statement, which certificates shall be in form and substance acceptable to us (but in lieu of or in conjunction with this certificate, the Underwriter may, in its sole discretion, accept an opinion of Jack Walters, Esquire, Counsel for the Issuer, that in his opinion the issues raised in any pending or threatened litigation are without substance or that the contentions of all plaintiffs therein are without merit with respect to the Series 2007 A Bonds referred to in the Official Statement); and (iii) to the best of our knowledge, no event affecting the Issuer has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any respect.

21. DESIGNATION OF REGISTRAR, PAYING AGENT, AND DEPOSITORY BANK: The Issuer hereby confirms the appointment of (a) United Bank, Inc., Charleston, West Virginia, as Registrar, (b) West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent, and (c) First United Bank and Trust, Moorefield, West Virginia, as Depository Bank.

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

WITNESS our signatures and the official corporate seal of the TOWN OF MOOREFIELD as of the day and year first stated above.

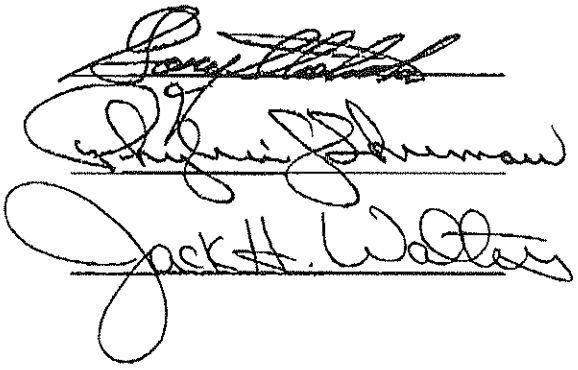
[SEAL]

Signature	Official Title
_____	Mayor
_____	Recorder
_____	Attorney

03.13.07
621500.00002

WITNESS our signatures and the official corporate seal of the TOWN OF MOOREFIELD as of the day and year first stated above.

[SEAL]

Signature	Official Title
	Mayor
	Recorder
	Attorney

03.13.07
621500.00002

$3,155,000

TOWN OF MOOREFIELD (WEST VIRGINIA)
WATER REVENUE BONDS, SERIES 2007 A (TAX-EXEMPT)

TAX AND NON-ARBITRAGE CERTIFICATE

TABLE OF CONTENTS

PREAMBLES		1

ARTICLE I
DEFINITIONS AND INTERPRETATION

Section 1.1	Definitions	2
Section 1.2	Interpretation	9
Section 1.3	Reliance on Documents	10

ARTICLE II
REPRESENTATIONS BY THE ISSUER AND USE OF PROCEEDS

Section 2.1	Representations of the Issuer	11
Section 2.2	Use of Proceeds	11

ARTICLE III
ARBITRAGE

Section 3.1	Arbitrage Representations	13
Section 3.2	The Project and Use of Bond Proceeds	14
Section 3.3	Construction of the Project	15
Section 3.4	The Bonds	16
Section 3.5	Arbitrage Compliance	18
Section 3.6	Calculation of Rebate Amount	18
Section 3.7	Payment of United States	22
Section 3.8	Recordkeeping	22
Section 3.9	Rebate Analyst	23
Section 3.10	Covenant as to Purchase Price	23

ARTICLE IV
COVENANTS AND AMENDMENTS

Section 4.1	Compliance with Code	24
Section 4.2	Amendment	24
	SIGNATURES	25
	SCHEDULE A - SOURCES AND USES OF BOND PROCEEDS	26
	SCHEDULE B - SUMMARY OF USE OF PROCEEDS FOR FORM 8038-G PURPOSES	27

TOWN OF MOOREFIELD (WEST VIRGINIA)
WATER REVENUE BONDS, SERIES 2007 A (TAX-EXEMPT)

TAX AND NON-ARBITRAGE CERTIFICATE

WHEREAS, the Town of Moorefield (the "Issuer") has determined to issue its $3,155,000 Water Revenue Bonds, Series 2007 A (Tax-Exempt), dated March 1, 2007 (the "Bonds"), to provide moneys, which, together with certain other moneys available to the Issuer, will be used for the purposes of: (i) funding a Series 2007 A Bonds Reserve Account, (ii) paying costs of issuing the Bonds, and (iii) paying costs of design, acquisition, construction and equipping of upgrades to the waterworks system of the Issuer.

WHEREAS, the Bonds are intended to be issued as obligations of the Issuer upon which the interest thereon is excludable from the gross income of the owners thereof for federal income tax purposes;

WHEREAS, the Internal Revenue Code of 1986 and the Regulations promulgated with respect thereto, as amended (collectively, the "Code") prescribe restrictions on the Bonds, the activities of the Issuer and the application and expenditure of Bond proceeds and earnings thereon in order that interest on the Bonds not be includable in gross income of the owners thereof for federal income tax purposes, and compliance with the procedures in this Tax and Non-Arbitrage Certificate (the "Tax Certificate") is required in order to ensure that the requirements of the Code are and will continue to be met;

WHEREAS, this Tax Certificate sets forth such restrictions on the Bonds, the activities of the Issuer, the application, investment and expenditure of Bond proceeds and earnings thereon; and

WHEREAS, in order to ensure that interest on the Bonds will not be includable in gross income of the owners thereof for federal income tax purposes, such requirements must be met unless the Issuer is notified in writing to the contrary by Bond Counsel;

NOW THEREFORE, the undersigned Mayor of the Issuer, being the official of the Issuer duly charged with the responsibility for the issuance of the Bonds, hereby certifies as follows, all capitalized terms used herein and not otherwise defined to have the same meanings as set forth in the Bond Ordinance enacted by the Issuer on February 28, 2007, as supplemented by a Supplemental Parameters Resolution adopted by the Issuer on February 28, 2007 (collectively, the "Ordinance"), pursuant to which the Bonds are issued:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.1. Definitions. For the purpose of this Tax Certificate, the following words and terms shall have the respective meanings set forth as follows, and any capitalized words or terms used but not defined herein shall have the meanings set forth in the Ordinance:

"**Average Economic Life**" shall mean the average reasonably expected economic life, within the meaning of Section 147(b) of the Code, of the assets financed or refinanced with the proceeds of the Bonds.

"**Average Maturity**" shall mean the average maturity of the Bonds within the meaning of Section 147(b) of the Code.

"**Bona Fide Debt Service Fund**" shall mean a fund which may include proceeds of an issue, that:

(a) Is used primarily to achieve a proper matching of revenues with principal and interest payments within each Bond Year; and

(b) Is depleted at least once each Bond Year, except for a reasonable carryover amount not to exceed the greater of:

(i) the earnings on the fund for the immediately preceding Bond Year; or

(ii) one-twelfth (1/12th) of the principal and interest payments on the issue for the immediately preceding Bond Year.

"**Bond Counsel**" shall mean any law firm or firms with expertise in public finance selected by the Issuer with respect to the issuance of or matters relating to the exclusion from federal income taxation of interest on the Bonds.

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

"**Bond Yield**" shall mean the yield of the Bonds, calculated in accordance with the provisions of Section 1.148-4 of the Regulations.

"**Bonds**" shall mean the Issuer's $3,155,000 Water Revenue Bonds, Series 2007 A (Tax-Exempt), dated March 1, 2007.

"**Closing Date**" or "**Date of Issue**" means March 16, 2007, the date of this Tax Certificate, which is the date on which the Issuer has delivered the Bonds in exchange for the purchase price thereof.

"**Code**" shall mean the Internal Revenue Code of 1986, and the Regulations promulgated thereto, as amended.

"**Computation Date**" shall mean each Installment Computation Date and the Final Computation Date.

"**Computation Date Credit** " shall mean $1,000 for each Bond Year during which there are Proceeds subject to rebate, or such other amount as may then be permitted by the Regulations. Only one Computation Date Credit for each Computation Date is permitted for the Bonds.

"**Costs of Issuance**" shall mean all costs incurred in connection with the issuance of the Bonds.

"**Discharged**" shall mean with respect to any Bond, the date on which all amounts due with respect to such Bond are actually and unconditionally due if cash is available at the place of payment and no interest accrues with respect to the Bond after such date.

"**Eligible Investment**" shall mean a fixed rate investment that is not a SLG and is not in a restricted escrow; the payment taken into account with respect to which equals the outstanding par amount of the investment plus accrued interest (if any) for a period of less than one year; the interest on which accrues on the outstanding par amount of the investment and is actually and unconditionally due at periodic intervals of one year or less; the first payment of interest on which is due at the end of the first short compounding interval or the first whole compounding interval; and the maturity date of which is the highest yield date, i.e., the date on which the holder is entitled to require the investment to be purchased, redeemed or retired at a stated price that when used in computing the yield on the investment produces the highest yield.

"**Fair Market Value**" of an Investment shall mean as follows:

(a) In General. Except as specifically otherwise provided below, the Fair Market Value of an Investment is the price at which a willing buyer would purchase the Investment from a willing seller in a bona fide arm's length transaction. The

Fair Market Value of an Investment that is purchased directly from the United States Treasury is its purchase price.

(b) Investment Contracts. The purchase price of a guaranteed investment contract is treated as its Fair Market Value on the purchase date if -

(i) The institution makes a bona fide solicitation for a specified guaranteed investment contract and receives at least three (3) bona fide bids from providers that have no material financial interest in the issue (e.g. as underwriters or brokers);

(ii) The institution purchases the highest yielding guaranteed investment contract for which a qualifying bid is made (determined net of broker's fees);

(iii) The yield on the guaranteed investment contract (determined net of broker's fees) is not less than the yield then available from the provider on reasonably comparable guaranteed investment contracts, if any, offered to persons from a source of funds other than gross proceeds of tax exempt bonds;

(iv) The determination of the terms of the guaranteed investment contract takes into account as a significant factor the Issuer's reasonably expected draw down schedule for the amounts to be invested, exclusive of amounts deposited in debt service funds and reasonably required reserve or replacement funds;

(v) The terms of the guaranteed investment contract, including collateral security requirements, are reasonable; and

(vi) The obligor on the governmental investment contract certifies the administrative costs that it is paying (or expects to pay) to third parties in connection with the guaranteed investment contract.

(c) Certificates of Deposit. The Fair Market Value of a certificate of deposit is its purchase price if it has a fixed rate of interest, a fixed payment schedule, and a substantial penalty for early withdrawal and the yield on the certificate of deposit is not less than (1) the yield on comparable direct obligations of the United States, and (2) the highest yield published or posted by the provider to be currently available on reasonably comparable certificates of deposit.

"**Final Computation Date**" shall mean the date on which the last Bond is Discharged.

"**Fiscal Year**" means the fiscal year of the Issuer, which commences on July 1 of each year and ends on June 30 of the subsequent year.

"**Future Value**" shall mean the amount determined by using the following formula:

$$FV = PV(1+i)^n$$

where:

FV = The future value of the nonpurpose receipt or payment at the end of the interval. Each interval ends on the last day of a compounding interval. The compounding interval is the same compounding interval used in computing the Bond Yield.

PV = The future value of the nonpurpose receipt or payment at the beginning of the interval, or the amount thereof if the computation is for the first interval. The first interval begins on the date the nonpurpose receipt or payment is actually or constructively received or paid (or otherwise is taken into account). The amount of every nonpurpose receipt and payment with respect to an issue that is taken into account at the beginning of the first interval may be rounded to the nearest whole dollar. The preceding sentence shall not apply to receipts and payments with respect to investments in a restricted escrow within the meaning of Section 1.148-8(g) of the Regulations.

i = The Bond Yield during the interval (expressed as a decimal) divided by the number of compounding intervals in a year.

^{n} = A fraction, the numerator of which is the length of the interval and the denominator of which is the length of a whole compounding interval.

"**Governmental Unit**" shall mean a state, a political subdivision or instrumentality of the foregoing within the meaning of Section 141(b)(6) of the Code.

"**Gross Proceeds**" shall mean Proceeds and Replacement Proceeds of the Bonds within the meaning of the Regulations.

"**Installment Computation Date**" shall mean the last day of the fifth Bond Year and each succeeding fifth Bond Year, until and excluding the Final Computation Date.

"**Investment**" shall mean any security, obligation, annuity contract, or investment type property as defined in section 148(b) of the Code.

"**Investment Proceeds** " shall mean any amounts actually or constructively received from investing Proceeds of an issue of bonds.

"**IRS**" shall mean the Internal Revenue Service.

"**Issue Price**" shall mean, with respect to the Bonds, $3,133,662.98 (par amount, less original issue discount, plus accrued interest) for all purposes other than IRS Form 8038-G.

"**Issuer**" shall mean the Town of Moorefield, a municipal corporation and political subdivision of the State of West Virginia, in Hardy County thereof, and, unless the context clearly indicates otherwise, includes the Council and any successor thereto.

"**Net Sale Proceeds** " shall mean Sale Proceeds less the amount of those proceeds invested in a reasonably required reserve or replacement fund under section 148(d) of the Code and as part of a minor portion under section 148(e) of the Code.

"**Nonpurpose Investment**" shall mean any Investment that is not acquired to carry out the governmental purpose of an issue.

"**Payment**" shall mean a payment as defined in section 1.148-3(d) of the Regulations for purposes of computing the rebate amount, and a payment as defined in section 1.148-5(b) of the Regulations for purposes of computing the yield on an investment.

"**Present Value**" shall mean the amount determined by using the following formula:

$$PV = \frac{FV}{(1+i)^n}$$

where i equals the discount rate divided by the number of compounding intervals in a year and n equals the sum of (i) the number of whole compounding intervals for the period ending on the date as of which the Future Value is determined and (ii) a fraction the numerator of which is the length of any short compounding interval during such period and the denominator of which is the length of a whole compounding interval.

"**Present Value of an Investment** " shall mean the value of an investment computed under the economic accrual method; using the same compounding interval and financial conventions used to compute the yield on the Bonds. On any valuation date, the Present Value of an Investment is equal to the Present Value of all unconditionally payable receipts to be received from the payments to be paid for the investment after that date, using the Yield on the Investment as the discount rate.

"**Proceeds**" shall mean Sale Proceeds, Investment Proceeds, and Transferred Proceeds of an issue of bonds. Proceeds do not include amounts that are actually or constructively received with respect to an investment that is acquired for the governmental purpose of an issue that are properly allocable to the immaterially higher yield under section 1.148-2(d) of the Regulations or section 143(g) of the Code or to qualified administrative cost recoverable under section 1.148-5(e).

"**Purchaser**" shall mean Crews & Associates, Inc., as the original purchaser of the Bonds directly from the Issuer.

"**Purpose Investment**" shall mean any investment that is acquired with the Gross Proceeds of an issue of obligations to carry out the governmental purpose for which such issue was issued.

"**Rebate Amount**" shall mean with respect to the Bonds, the amount computed as described in Section 3.5 hereof.

"**Rebate Analyst**" shall mean the entity or person chosen by the Issuer in accordance with Section 3.8 hereof to determine the Rebate Amount.

"**Rebate Payment Date**" shall mean the date following a Computation Date on which the Rebate Amount is mailed or otherwise filed with the IRS. The Rebate Payment Date cannot be a date which is more than 60 days after a Computation Date.

"**Rebate Yield**" shall mean the yield on the Bonds for purposes of determining the Rebate Amount, computed as described in Section 3.3(B) hereof.

"**Receipt**" shall mean a receipt as defined in section 1.148-3(d) of the Regulations for purposes of computing the Rebate Amount, and a receipt as defined in section 1.148-5(b) for purposes of computing Yield on an Investment.

"**Regulation**" or "**Regulations**" shall mean the temporary, proposed or final Income Tax Regulations promulgated by the Department of the Treasury that are applicable to the Bonds.

"**Related Person**" shall mean any person related to any beneficiary of the Bonds within the meaning of Section 144(a)(3) of the Code.

"**Replacement Proceeds**" shall mean amounts that are treated as replacement proceeds of an issue of bonds under section 1.148-1(c) of the Regulations. Generally, amounts are Replacement Proceeds of an issue if the amounts have a sufficiently direct nexus to the governmental purpose of the issue to conclude that the amounts would have been used for that governmental purpose if the proceeds of the issue were not used or to be used for that governmental purpose. Replacement Proceeds include, but are not limited to, sinking funds or pledged funds to the extent that those funds are held by or derived from a substantial beneficiary of the issue (which, for this purpose includes the issuer and any related party to the issuer).

"**Sale Proceeds**" shall mean amounts actually or constructively received from the sale of an issue of bonds (including amounts used to pay underwriter's discount and compensation and accrued interest other than pre-issuance accrued interest).

"**State**" shall mean the State of West Virginia.

"**Tax-Exempt Bond**" shall mean any tax-exempt bond within the meaning of section 103 of the Code and section 1.150-1 of the Regulations that is not investment property within the meaning of section 148(b)(3) of the Code.

"**Tax Certificate**" shall mean this Tax and Non-Arbitrage Certificate of the Issuer as the same may be amended, modified or supplemented from time to time in accordance with the terms hereof.

"**Treasury**" shall mean the United States Department of Treasury.

"**Universal Cap**" shall mean the maximum value of Nonpurpose Investments which may be allocated to the Bonds under section 1.148-6 of the Regulations and is determined by reference to the Value of all outstanding Bonds of the issue. For purposes of this determination Nonpurpose Investments include cash, Tax-Exempt Bonds (i.e., any tax-exempt bond that is not investment property under section 148(b)(3) of the Code), qualified mortgage loans, and qualified student loans.

"**Valuation Date**" shall mean the date on which the value of the Universal Cap and the Nonpurpose Investments allocable to the Bonds thereunder must be determined under section 1.148-6 of the Regulations. In general, beginning with the first Bond Year beginning after second year anniversary of the Issue Date, the first day of each Bond Year constitutes a Valuation Date. In addition, the Regulations provide with respect to a refunded issue (e.g., the Prior Bonds) and a refunding issue (i.e., the Series 1998 Bonds) each date on which proceeds of the refunded issue would become transferred proceeds of the refunding issue, e.g., each date on which principal of the refunded issue is paid with proceeds of the refunding bonds, constitutes a Valuation Date.

"**Value of a Bond**" shall mean the value of a bond determined under section 1.148-4(e) of the Regulations. Under those Regulations, value generally means:

> (a) In the case of a plain par bond (within the meaning of section 1.148-1(b) of the Regulations), its outstanding stated principal amount, plus accrued unpaid interest or in the case of a plain par bond actually redeemed, or that is treated as redeemed, its stated redemption price on the redemption date plus accrued unpaid interest; and
>
> (b) In the case of a bond other than a plain par bond, the value on a date of such a bond is generally its Present Value on that date, using the yield on the issue of which the bonds are a part as the discount factor. In determining the Present Value of a variable rate bond, the initial interest rate on the bond established by the index or other rate setting mechanism is used to determine the interest payments on that bond.

"**Value of an Investment**" means the value of an investment determined under section 1.148-5(d) of the Regulations. Under those Regulations, value as of any date generally means, for any fixed rate investment (within the meaning of section 1.148-1(b) of the Regulations) or Yield Restricted Investment, Present Value on that date, and for any plain par investment (within the meaning of section 1.148-1(b) of the Regulations), the outstanding stated principal amount, plus accrued unpaid interest, as of that date.

"**Yield**" or "**yield**" shall mean the yield computed under section 1.148-4 of the Regulations for the Bonds, and the yield computed under Section 1.148-5 of the Regulations for an Investment.

"**Yield Restricted Investments**" shall mean any Investments which either (1) bear a yield that is no greater than the Bond Yield, or (2) are investments in one or more Tax-Exempt Bonds.

Section 1.2. Interpretation. In this Tax Certificate:

(A) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Tax Certificate, refer to this Tax Certificate, and the term "hereafter" means after, and the term "heretofore" means before the date of this Tax Certificate.

(B) Unless the context requires otherwise, words of the masculine gender mean and include correlative words of the feminine and neuter genders and words importing the singular number mean and include the plural number and vice versa.

(C) Words importing persons include firms, associations, partnerships, trusts, corporations and other legal entities, including public bodies, as well as natural persons.

(D) Any headings preceding the texts of the several Articles and Sections of this Tax Certificate, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Tax Certificate, nor shall they affect its meaning, construction or effect.

(E) All certifications, documents and instructions required to be given or made by any person or party hereunder shall be made in writing.

(F) This Tax Certificate shall be governed by and construed in accordance with the applicable laws of the State.

(G) If any provision of this Tax Certificate shall be ruled invalid by any court of competent jurisdiction, the invalidity of such provision shall not affect any of the remaining provisions hereof.

Section 1.3. Reliance on Documents. Bond Counsel shall be permitted to rely on the contents of any certification, document or instruction provided pursuant to this Tax Certificate and shall not be responsible or liable in any way for the accuracy of its contents or the failure of the Issuer to deliver such document.

ARTICLE II

REPRESENTATIONS BY THE ISSUER AND USE OF PROCEEDS

Section 2.1. Representations of the Issuer. The Issuer represents that:

(A) This certificate is being executed and delivered pursuant to Section 148 of the Code. We are officers of the Issuer charged with the responsibility of issuing the Bonds. We are familiar with the facts, circumstances, and estimates herein certified and duly authorized to execute and deliver this certificate on behalf of the Issuer.

(B) This certificate may be relied upon as the certificate of the Issuer.

(C) The Issuer 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 holders of their respective obligations or that there is any disqualification thereof by the Internal Revenue Service because a certification made by it contains a material misrepresentation.

(D) This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on the Closing Date and to the best of our knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

(E) The Issuer has covenanted in the Ordinance that it will not permit at any time or times any of the proceeds of the Bonds or any funds of the Issuer to be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any of the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

Section 2.2. Use of Proceeds. (A) The Series 2007 A Bonds were sold and delivered on the Closing Date, upon a negotiated basis, to the Purchaser for the purchase price of $3,048,466 (par amount of $3,155,000, less underwriter's discount of $78,875,less an original issue discount of $27,659), plus accrued interest from March 1, 2007 to March 16, 2007 in the amount of $6,321.98.

(B) The Bonds are being delivered simultaneously with the delivery of this Tax Certificate and are issued for the purposes of providing moneys, together with other funds of the Issuer necessary to: (i) fund a Series 2007 A Bonds Reserve Account, (ii) pay costs of issuing the Series 2007 A Bonds, and (iii) pay costs of design, acquisition, construction and equipping of certain waterworks facilities of the Issuer.

(C) The face amount of the Series 2007 A Bonds is $3,155,000. The sources and uses of proceeds of the Series 2007 A Bonds is as follows:

Sources

Par amount of Bonds	$3,155,000.00
Less: Original Issue Discount	27,659.00
Plus: Accrued Interest from March 1 to March 16, 2007	6,321.98
Total Sources	$3,133,662.98

Uses

Deposit to Series 2007 A Bonds Construction Fund	$2,698,616.79
Underwriter's Discount	78,875.00
Costs of Issuance	50,805.48
Series 2007 A Bonds Reserve Account Deposit	194,347.50
Series 2007 A Bonds Sinking Fund	111,018.21
Total Uses	$ 3,133,662.98

(D) The Purchaser has stated in its certificate that the Bonds have been reoffered, and a substantial amount thereof sold, to purchasers other than bond houses, brokers or other intermediaries, at the initial offering prices not greater than, or yields no lower than, the respective prices and yields shown on the inside cover page of the Official Statement for the Bonds.

ARTICLE III

ARBITRAGE

Section 3.1. Arbitrage Representations. The Issuer represents that:

(A) The Proceeds from the sale of the Bonds shall be applied as indicated in Section 2.2.

(B) The Issue Price of the Bonds is based on the certificate executed by the Purchaser of even date herewith. The Issuer is not aware of any facts or circumstances that would case them to question the accuracy of the representations made by the Purchaser.

(C) No portion of the proceeds of the Bonds will be used directly or indirectly to replace funds of the Issuer used directly or indirectly to acquire securities or obligations which may reasonably be expected, on the date hereof, to produce a yield materially higher than the Yield on the Bonds.

(D) Other than as described in this Tax Certificate, the Bonds are not and will not be part of a transaction or series of transactions that (i) attempt to circumvent the provisions of Section 148 of the Code, or any successor thereto, and the regulations promulgated thereunder which enable the Issuer to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage or (ii) increase the burden on the market for tax-exempt obligations in any manner, including, without limitation, by selling obligations that would not otherwise be sold or selling a larger amount of obligations, or issuing them sooner, or allowing them to remain outstanding longer, than would otherwise be necessary.

(E) No other obligations are being issued by the Issuer or any related entity at substantially the same time and sold pursuant to a common plan of financing and which will be paid out of substantially the same source of funds (or which will have substantially the same claim to be paid out of substantially the same source of funds) as the Bonds or which will be paid directly or indirectly from proceeds of the sale of the Bonds.

(F) The Issuer has not been notified of the listing or proposed listing of the Issuer by the Internal Revenue Service as an issuer that may not certify its bonds.

(G) The issuance of the Bonds will not involve the use of a "device" or an "abusive transaction" within the meaning of Section 149(d)(4) of the Code.

(H) In connection with the Bonds, there has not been created or established, and the Issuer does not expect that there will be created or established, any sinking fund, pledged fund or similar fund (other than as specifically identified in this Tax Certificate),

including without limitation any arrangement under which money, securities or obligations are pledged directly or indirectly to secure the Bonds or any contract securing the Bonds or any arrangement providing for compensating or minimum balances to be maintained by the Issuer with any registered owner of the Bonds.

(I) On each Valuation Date, the Issuer shall value the Nonpurpose Investments allocable to the Bonds thereunder. Nonpurpose Investments cease to be allocated to the Bonds to the extent such Nonpurpose Investments have been expended for the governmental purpose of the issue, or to the extent the value thereof exceeds the value permitted to be allocated to the Bonds under the Universal Cap. To the extent Nonpurpose Investments cease to be allocated to an issue and the value of the Universal Cap exceeds the value of the remaining Nonpurpose Investments allocated to such issue, other Nonpurpose Investments may become allocated to the issue, provided that such Nonpurpose Investments are not already properly allocated to another issue and provided that such allocation does not cause the value of the Nonpurpose Investments allocated to the Bonds to exceed the Universal Cap.

Notwithstanding anything herein to the contrary, the failure to perform the determination of Nonpurpose Investments allocable to the Bonds as of a Valuation Date shall not be considered a violation of this provision if the value of Nonpurpose Investments allocated to the Bonds did not exceed the value of the Bonds outstanding on such date.

Section 3.2. The Project and Use of Bond Proceeds.

(A) The Issuer reasonably expects that:

(i) The Issuer will incur a substantial binding obligation to third parties to expend at least 5% of the Net Sale Proceeds within 6 months following the Date of Issue;

(ii) Completion of the Project and allocation of the Net Sale Proceeds to expenditures for Project Costs will proceed with due diligence; and

(iii) As of the close of the 3-year period beginning on the Date of Issue, at least 85% of the Net Sale Proceeds will have been used to acquire and construct the Project. For purposes of the foregoing, the term "Net Sale Proceeds" shall mean "net proceeds" as defined in Section 150 of the Code, but shall not include proceeds used to finance issuance costs and shall not include proceeds necessary to pay interest (during such period) on the Bonds which are part of the issue.

(B) All property financed with proceeds of the Bonds will be held by or on behalf of a qualified Governmental Unit, and the Project financed with the proceeds thereof will be operated solely for public purposes as a governmental activity.

(C) No portion of the Project will consist of any airplane, skybox or other luxury box, facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises.

(D) No portion of the payments of principal of or interest on the Bonds will be made, financed or secured by, directly or indirectly, by payments or property used in any trade or business of any person other than the Issuer or a qualified Governmental Unit. The Issuer will not permit any portion of the payment of the principal or interest on the Bonds to be secured, directly or indirectly, by (i) interests in property or (ii) payments in respect of such property, which property is used or to be used in any trade or business of any person other than the Issuer. The Issuer will not permit any portion of the payment of the principal or interest on the Bonds to be derived, directly or indirectly by payments (whether or not to the Issuer) in respect of property or borrowed money, used or to be used in any trade or business of any persons other than the Issuer.

(E) The Project financed with proceeds of the Bonds will be used only in activities directly related to the Issuer's exempt governmental purpose. No other person will own or use the Project either directly or indirectly, including use through a lease management agreement, and neither the Issuer nor any other state or local government unit having an ownership interest in the Project will transfer ownership of the Project while the Bonds are outstanding.

Section 3.3. Construction of the Project.

(A) Construction Schedule. The Project is expected to be completed and placed in service in accordance with the following schedule:

(i) Time Test. The Issuer shall, within 6 months of the Closing Date, enter into a substantial binding obligation calling for the expenditure of not less than 5% of the Net Sale Proceeds of the Bonds towards the costs of acquisition and construction of the Project.

(ii) Due Diligence Test. Acquisition and construction of the Project is expected to proceed with due diligence to completion.

(iii) Expenditure Test. The Issuer anticipates that the Project will be completed by August 1, 2008, such that an amount equal to not less than 85% of the Net Sale Proceeds of the Bonds

will have been expended on the costs of the Project before March 1, 2009.

Section 3.4. The Bonds. (A) The principal amounts, interest rates, interest and principal payment dates, and debt service with respect to the Bonds are detailed in the Official Statement.

(B) Using the initial offering price of the Bonds as the "purchase price" and taking into account accrued interest, net original issue premium as described below, the yield on the Bonds is computed by the Purchaser to be 4.9573119% (the "Bond Yield").

(C) Moneys deposited to the Sinking Fund, including subsequent deposits thereto, will be spent within a 13-month period beginning on the date of deposit and will be depleted at least once a year, except for a reasonable carryover amount not in excess of 1/12 of the annual debt service with respect to the Bonds. The Bonds all bear interest at a fixed interest rate and the average maturity of the Bonds is in excess of 5 years. The Sinking Fund is designed to achieve a proper matching of the Issuer's revenues and debt service on the Bonds within each Bond Year. Such moneys will be invested without restriction as to yield and are not subject to rebate.

(D) A Reserve Account within the Sinking Fund is created under the Ordinance in an amount not more than 125% of the average annual Debt Service on the Bonds (the "Reserve Account Requirement"). Such amount is less than the Maximum Annual Debt Service on the Bonds and is less than 10% of the stated principal amount of the Bonds. The Reserve Account is being funded by the deposit of proceeds of the Bonds in the amount of $194,347.50. All cash amounts in the Reserve Account will be invested without restriction as to yield. All cash in the Reserve Account and earnings thereon will be subject to rebate.

(E) A Renewal and Replacement Fund is created under the Ordinance, to be funded through monthly deposits of Revenues. Absent an Event of Default on the Bonds, and depletion in full of the Reserve Account, the Renewal and Replacement Fund is not expected to be used for the purpose of paying Debt Service on the Bonds. The Issuer is required to deposit 2 1/2% of the Gross Revenues each month into the Renewal and Replacement Fund. Disbursements may be made from the Renewal and Replacement Fund at any time to pay for replacements, repairs, improvements or extensions of the System. In the event the Issuer experiences financial difficulties with respect to the System, it is not expected that the Renewal and Replacement Fund or any portion thereof will be available to pay Debt Service on the Bonds. Such moneys will be invested without restriction as to yield and are not subject to rebate.

(F) A Series 2007 A Bonds Redemption Account is created under the Ordinance. In the event moneys are deposited into the Series 2007 A Bonds Redemption Account, to the extent they are not part of a Bona Fide Debt Service Fund, they will, to the

extent the yield thereon exceeds the yield on the Bonds, be subject to rebate. Otherwise, they will be invested without restriction as to yield and are not subject to rebate.

(G) A Series 2007 A Bonds Costs of Issuance Fund is created under the Ordinance, to be funded from proceeds of the Bonds in the amount of $50,805.48. Such amount shall be fully expended within six months from the date hereof. Pending such disbursement, such moneys will be invested without restriction as to yield and are not subject to rebate.

(H) A Series 2007 A Bonds Construction Fund is created under the Ordinance, to be funded from proceeds of the Bonds and earning on the Series 2007 A Bonds Construction Fund in the amount of $2,698,616.79 and all earnings thereon, which will be used to pay costs of acquisition and construction of the Project. All such amounts shall be fully expended within 24 months from the Closing Date. Pending such disbursement, such moneys will be invested without restriction as to yield but such amounts will be subject to rebate.

The Issuer shall, within 6 months of the Closing Date, enter into a contract for the acquisition and construction of the Project, and the amount to be expended pursuant to such contract exceeds the lesser of 2 1/2% of the estimated total Project cost financed with proceeds of the Bonds or $100,000. Work with respect to the acquisition and construction of the Project will commence shortly and will proceed with due diligence to completion. Acquisition and construction of the Project is expected to be completed within six months. All moneys in the Series 2007 A Bonds Construction Fund will be expended for the Project within nine months from the date hereof. The Project will be operated solely for a public purpose as a local governmental activity of the Issuer. The Issuer expects no part of the Project will be sold or otherwise disposed of prior to the last maturity date of the Bonds.

Except for the moneys in the Series 2007 A Bonds Construction Fund, no other funds of the Issuer will be available to meet costs of the Project, which would constitute "replacement proceeds" within the meaning of Treas. Reg. § 1.148-1(c), inasmuch as (i) the Issuer does not reasonably expect that the term of the Bonds is longer than is reasonably necessary for the governmental purposes of the Issuer, (ii) the weighted average maturity of the Bonds does not exceed 120% of the average expected economic life of the Project, and (iii) there are no amounts that have a sufficiently direct nexus to the Bonds or to the governmental purpose of the Bonds to conclude that the amounts would have been used for that governmental purpose if the proceeds of the Bonds were not used or to be used for that governmental purpose.

(I) Other than the funds and accounts described above, there are no other funds or accounts of the Issuer (i) which are reasonably expected to be used to pay Debt Service on the Bonds or which are pledged as collateral to secure repayment of Debt Service on the Bonds and (ii) for which there is a reasonable assurance that amounts therein will be available to pay Debt Service on the Bonds.

Section 3.5. Arbitrage Compliance. The Issuer acknowledges that the continued non-inclusion of interest on the Bonds for purposes of Federal income taxation depends, in part, upon compliance with the arbitrage limitations imposed by Section 148 of the Code, including the rebate requirement described in Section 3.5 hereof. The procedures set forth below are subject to amplification and revision as necessary to comply with the rebate requirements. The Issuer hereby agrees and covenants to take all actions necessary to comply with these requirements. The Issuer hereby agrees and covenants that it shall not permit at any time or times any of the proceeds of the Bonds or other funds of the Issuer to be used directly or indirectly, to acquire any asset or investment, the acquisition of which would cause the Bonds to be "arbitrage bonds" for purposes of Section 148 of the Code. The Issuer further agrees and covenants that it shall do and perform all acts and things necessary in order to assure that the arbitrage and rebate requirements of Section 148 of the Code are met. To that end, the Issuer shall take the actions described in Sections 3.4 through the end of Article III hereof with respect to the investment of proceeds on deposit in the funds and accounts established Ordinance. The Issuer shall cause to be made the required transfers, dispositions and payments described in Sections 3.4 through the end of Article III hereof.

Section 3.6. Calculation of Rebate Amount. Section 148(f) of the Code requires the payment to the United States of the excess of the amount earned on the investment of Gross Proceeds in Nonpurpose Investments over the amount that would have been earned on such investments had the amount so invested been invested at a rate equal to the Yield on the Bonds, together with any income attributable to such excess. Except as provided below, all of the funds and accounts established by the Ordinance, and all other amounts treated as Gross Proceeds, to the extent funded with proceeds of the Bonds, are subject to this requirement. In order to meet the rebate requirement, the Issuer agrees and covenants to take the following actions:

(A) Record of Investments and Expenditures. For each Nonpurpose Investment acquired with or allocated to Gross Proceeds of the Bonds, the Issuer shall record its purchase date or allocation date, its purchase price (reduced by broker's or dealer's commissions or other administrative expenses, which shall also be separately stated), or, if not acquired directly with Gross Proceeds, its Fair Market Value on the allocation date, accrued interest due on its purchase date or allocation date, its face amount, its coupon or interest rate, its Yield-to-Maturity, the frequency of its interest payments, its disposition price (not reduced by any broker or dealer's commission or discount), accrued interest due on its disposition date and its disposition date. The Issuer shall also record the date and amount of all expenditures made with the proceeds of the Bonds, including the payment of any Rebate Amount.

Generally, Administrative Costs paid with respect to Nonpurpose Investments do not increase the costs of such Investments or reduce the income therefrom. Administrative Costs paid with respect to guaranteed investment contracts have the effect of increasing the yield thereon for rebate purposes.

(B) Computation of Yield. For each Computation Date, the Issuer shall compute Yield on the Bonds. When expressed as a decimal, Yield shall be accurate to at least six (6) decimal places and rounded to at least five (5) decimal places.

(C) Computation of Rebate Amount. Subject to the special rules set forth in paragraphs (F) and (G) of this Section 3.6, the Issuer shall determine the Rebate Amount on each Computation Date. For this purpose:

(1) Any Computation Date. The Rebate Amount, determined as of any Computation Date, shall be equal to the excess of the Future Value of all receipts with respect to the Nonpurpose Investments allocated to the Bonds over the Future Value of all payments with respect to such Nonpurpose Investments, which excess, in the case of the Final Computation Date, shall be increased by the amount described in subparagraph (2) below.

(2) Final Computation Date. Only in the case of the Final Computation Date, the amount determined under subparagraph 1) above shall be increased by the earnings actually derived from investing such amount at an arm's length interest rate during the "payment period" that begins on the Final Computation Date and ends fifteen (15) days before the final Rebate Amount is actually paid; provided that if the moneys representing the final Rebate Amount cannot be identified on the Final Computation Date under a reasonable accounting system or, even if so identified, have not been invested at an arm's length interest rate, then the amount of the increase shall be equal to the earnings that would have accrued if the Rebate Amount had been so identified and had been invested at a rate equal to the maximum rate of interest in effect on the Final Computation Date for a SLG having a

term equal to thirty (30) days or, if longer, the payment period referred to above.

(D) Nonpurpose Receipts. For purposes of paragraph (C), receipts with respect to a Nonpurpose Investment that is allocated to the Bonds consist of:

(1) Actual Receipts. The amount(s) actually or constructively received with respect to the Nonpurpose Investment, determined without reduction for sales commissions, administrative expenses or similar expenses. An amount is constructively received when it is credited to the account of, set apart for, or otherwise made available to or for, a payee so that such amount may be drawn on by such payee (or could be so drawn on, assuming timely notice of the payee's intention to withdraw).

(2) Disposition Receipts. The amount corresponding to the Fair Market Value of a Nonpurpose Investment that ceases to be allocated to the Bonds for reasons not related to its sale or retirement, determined as of the date of such cessation.

(3) Installment Date Receipts. The amount corresponding to the Fair Market Value of a Nonpurpose Investment that continues to be allocated to the Bonds on any Computation Date. For this purpose, the Present Value of a fixed rate Nonpurpose Investment which is not an investment contract may be substituted for its Fair Market Value.

(4) Rebate Receipts. The amount(s), if any, representing the recovery of rebate overpayments, determined as of the date of any such recovery.

(5) Imputed Receipts. The amount(s), if any, representing Imputed Receipts, as defined herein and as determined from time to time in accordance with such definition.

(E) Nonpurpose Payments. For purposes of paragraph (C), payments with respect to a Nonpurpose Investment that is allocated to the Bonds consist of:

(1) Direct Payments. The amount of the Gross Proceeds of the Bonds that was used to purchase the Nonpurpose Investment, determined without regard to brokerage commissions, administrative expenses or similar expenses.

(2) Constructive Payments. The amount that is equal to the Fair Market Value of a Nonpurpose Investment which, although not directly purchased with the Gross Proceeds of the Bonds, is allocated to the Bonds, determined as of the date that such investment becomes so allocated.

(3) Rebate Payments. The amount which is equal to the portion of the Rebate Amount, if any, that is required to be paid following a Computation Date, determined as of the earlier of the date of any such payment or the due date of any such payment.

(4) Computation Date Credit The amount corresponding to the application Computation Date Credit, determined as of each Computation Date.

(F) Exceptions for Series 2007 A Bonds Construction Fund Expenditures. If the Issuer qualifies under any of the exceptions to rebate under Section 148(f) of the Code or Reg. § 1.148-7(d), earnings on moneys deposited in the Series 2007 A Bonds Construction Fund will not be subject to rebate.

(G) Exception from Rebate for Certain Debt Service Fund Earnings. Notwithstanding anything in this Section 3.6 to the contrary, if the gross earnings from the Investments held in the Debt Service Fund for the Bond Year in question, that are attributable to Nonpurpose Investments, are less than $100,000 (other than from the investment of moneys in obligations described in Section 103(a) of the Code which are also not specified Private Activity Bonds within the meaning of Section 57(a)(5)(C) of the Code), then any amount earned on such Bond Fund shall not be taken into account in determining the Rebate Amount. For purposes of this paragraph, the term "gross

earnings" means the aggregate amount earned on the Nonpurpose Investments allocated to the Gross Proceeds of the Bonds credited to the Debt Service Fund including amounts earned on such amounts if in turn credited to the Debt Service Fund.

(H) Calculation of Rebate Amount. For each Computation Date, the Issuer shall compute, or cause to be computed.

(I) Hedge Bonds. Not more than fifty percent (50)%) of the proceeds of the Bonds are or will be invested in Nonpurpose Investments at a guaranteed yield for a period of four (4) years or more.

Section 3.7. Payment to United States. (A) Unless the Bonds are redeemed prior to such time, the Issuer shall pay to the United States, not later than sixty (60) days after each Installment Computation Date, an amount which, when added to all previous rebate payments made with respect to the Bonds, is equal to not less than ninety percent (90%) of the Rebate Amount (computed from the date of issuance of the Bonds to each such Installment Computation Date). The Issuer shall pay to the United States, not later than sixty (6) days after the last outstanding Bonds are paid or redeemed, one hundred percent (100%) of the Rebate Amount for the Final Computation Date.

(B) The portion of the Rebate Amount that is required to be paid following a Computation Date shall be rounded down to the nearest multiple of $100. Any such portion that is less than $100 shall be rounded to $0.

(C) The Issuer shall make each payment of an installment to the Internal Revenue Service Center, Ogden, Utah. Each payment shall be accompanied by the copy of the Form 8038-G or Form 8038 filed with respect to the Bond issue, the statement summarizing the determination of the Rebate Amount and also, to the extent not otherwise shown on the Form 8038, a statement on which is identified the issue for which the Rebate Amount is due and the CUSP number for the Bond having the latest maturity.

Section 3.8 Recordkeeping. In connection with the rebate requirement the Issuer shall maintain the following records.

(A) The Issuer shall retain records of the determinations made pursuant to Section 3.5 until six (6) years after the retirement of the last obligation of the issue.

(B) The Issuer shall record all amounts paid to the United States pursuant to Section 3.5.

Section 3.9. Rebate Analyst. A Rebate Analyst shall be appointed to perform the rebate calculations required herein. The charges and fees of such Rebate Analyst shall be paid by the Issuer upon presentation of an invoice for services rendered in connection therewith.

Section 3.10. Covenant as to Purchase Price. The Issuer covenants and agrees that it shall not acquire Nonpurpose Investments at other than arm's length, Fair Market Value prices.

ARTICLE IV

COVENANTS AND AMENDMENTS

Section 4.1. Compliance with Code. The Issuer covenants and agrees that it shall at all times do and perform all acts and things necessary and within its reasonable control in order to assure that interest paid on the Bonds shall, for purposes of Federal income taxation, be not included in gross income.

The Issuer acknowledges that the covenants and conditions set forth in this Tax Certificate are based upon the Code as it exists on the date hereof and that the Code may be subsequently interpreted or modified by the Federal government in a manner which is inconsistent with the covenants set forth herein. The Issuer agrees that any such subsequent modification or interpretation of the Code will be deemed a requirement that must be met pursuant to the general tax covenant set forth above.

The Issuer shall not be required to comply with any specific requirement of this Tax Certificate to the extent that, in the opinion of Bond Counsel furnished to the Issuer, compliance with such requirement is not necessary to maintain the tax-exempt status of the Bonds.

Section 4.2. Amendment. This Tax Certificate may be amended by consent of Bond Counsel.

IN WITNESS WHEREOF, the Issuer has caused this Tax and Non-Arbitrage Certificate to be executed on its behalf by its duly authorized representatives all as of the date first above written.

TOWN OF MOOREFIELD

By: _____
Its: Mayor

03.08.07
621500.00002

SCHEDULE A - SERIES 2007 A BONDS

SOURCES AND USES OF BOND PROCEEDS

Sources

Par amount of Bonds	$3,155,000.00
Less: Original Issue Discount	27,659.00
Plus: Accrued Interest from March 1 to March 16, 2007	6,321.98
Total Sources	$3,133,662.98

Uses

Deposit to Series 2007 A Bonds Construction Fund	$2,698,616.79
Underwriter's Discount	78,875.00
Costs of Issuance	50,805.48
Series 2007 A Bonds Reserve Account Deposit	194,347.50
Series 2007 A Bonds Sinking Fund	111,018.21
Total Uses	$3,133,662.98

SCHEDULE B - SERIES 2007 A BONDS

FORM 8038-G

(See Tab Number 30)

Gohdes & Thomas

Lucille S. Gohdes, CPA, Retired
Rosalie E. Thomas, CPA

Certified Public Accountants
401 Maple Avenue - P.O. Box 655
Moorefield, WV 26836

(304) 530-2035
(304) 530-7367 (Fax)

March 16, 2007

Town of Moorefield
Water Revenue Bonds, Series 2007 A (Tax-Exempt)

West Virginia Water Development Authority
Charleston, West Virginia

Steptoe & Johnson PLLC
Charleston, West Virginia

Ladies and Gentlemen:

Based upon the Tier Two rates and charges set forth in the water rate ordinance of the Town of Moorefield (the "Issuer"), enacted May 18, 2005, and projected operation and maintenance expenses and anticipated customer usage as furnished to us by the Issuer, it is our opinion that such rates and charges will be sufficient to provide revenues which, together with other revenues of the system of the Issuer (the "System"), will pay all repair, operation and maintenance expenses of the System and leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Water Revenue Bonds, Series 2007 A (Tax-Exempt) (the "Bonds"), to be issued on the date hereof, and all other obligations secured by a lien on or payable from such revenues, including the Prior Bonds, as defined in the Bond Ordinance enacted by the Issuer on February 28, 2007.

It is our further opinion that the Net Revenues actually derived from the System during any 12 consecutive months within the 18 months immediately preceding the date of the actual issuance of the Bonds, plus the estimated average increased annual Net Revenues to be received in each of the three succeeding years after the completion of the improvements to be financed by such Bonds: (i) will not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the Bonds and the Prior Bonds, and (ii) will not be less than 115% of the maximum debt service in any succeeding year on the Bonds and the Prior Bonds.

Very truly yours,



Rosalie E. Thomas
Certified Public Accountant

RET:icn

$3,155,000

TOWN OF MOOREFIELD (WEST VIRGINIA)
WATER REVENUE BONDS, SERIES 2007 A (TAX-EXEMPT)

CERTIFICATE OF REGISTRAR FOR SERIES 2007 A BONDS

United Bank, Inc., Charleston, West Virginia (the "Bank"), as Registrar for the above-captioned Bonds (the "Series 2007 A Bonds"), hereby certifies as follows, all capitalized terms used herein have the same meanings set forth in the Ordinance of the Town of Moorefield (the "Issuer") enacted February 28, 2007, as supplemented (collectively the "Ordinance"):

1. The Bank is a state banking corporation, duly organized, validly existing, and in good standing under the laws of the United States of America, may lawfully conduct business in West Virginia, and is lawfully empowered, pursuant to such laws, to accept the duties and obligations contemplated and as provided under the Ordinance and to serve in the capacity of Registrar under the Ordinance.

2. The Bank has duly authorized, by all necessary action, the authentication of the Series 2007 A Bonds and the execution and delivery of this Certificate and the acceptance of all duties of Registrar under the Ordinance, and any and all other documents and agreements as may be required to be executed, delivered and received by the Bank in order to carry out, give effect to, and consummate the transactions contemplated thereby.

3. The person indicated in paragraph 4 below was at the time of the authentication of the Series 2007 A Bonds, and is now, a duly elected, qualified and acting incumbent in his or her office; and, pursuant to authorization from the Board of Directors of the Bank, such person, in his or her official capacity, was and is authorized to authenticate the Series 2007 A Bonds for aud on behalf of the Bank.

4. Appearing opposite the name and title of the person indicated below is a true and correct specimen of his or her signature.

Name	Title	Signature
Kathy Smith	Vice President and Trust Officer	

5. There have been filed with the Bank all of the documents listed in Section 3.12 of the Ordinance; the Series 2007 A Bonds have been duly authenticated and delivered to the Original Purchaser, and proceeds of the Series 2007 A Bonds have been deposited as required by the Ordinance.

6. Attached hereto as EXHIBIT A is a correct listing of the Series 2007 A Bond numbers, CUSIP numbers, maturity dates, principal amounts, interest rates and yields of the Series 2007 A Bonds.

WITNESS my signature on this 16th day of March, 2007.

UNITED BANK, INC.

By: _____
Its: Authorized Officer

03.07.07
621500.00002

EXHIBIT A - SERIES 2007 A BOND TERMS

Maturity Schedule

$180,000	4.100%	Term Bonds, Due March 1, 2012 at 100%	CUSIP: 61586PAA6
$260,000	4.300%	Term Bonds, Due March 1, 2017 at 100%	CUSIP: 61586PAB4
$320,000	4.600%	Term Bonds, Due March 1, 2022 at 100%	CUSIP: 61586PAC2
$405,000	4.750%	Term Bonds, Due March 1, 2027 at 100%	CUSIP: 61586PAD0
$290,000	4.900%	Term Bonds, Due March 1, 2030 at 100%	CUSIP: 61586PAE8
$1,700,000	5.000%	Term Bonds, Due March 1, 2042 at 98.373%	CUSIP: 61586PAF5

(accrued interest to be added)

$3,155,000

TOWN OF MOOREFIELD (WEST VIRGINIA)
WATER REVENUE BONDS, SERIES 2007 A (TAX-EXEMPT)

UNDERWRITER'S CERTIFICATE

The undersigned Gregory B. Isaacs, Vice President of Crews & Associates, Inc. (the "Underwriter"), for and on behalf of the Underwriter, as purchaser of the above-captioned Bonds (the "Series 2007 A Bonds"), hereby certifies that:

(a) At least 10% of each maturity of the Series 2007 A Bonds have been the subject of an initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers), made pursuant to the Bond Purchase Agreement dated March 12, 2007, by and between the Town of Moorefield, West Virginia (the "Issuer") and the Underwriter, at initial offering prices no higher than, or yields no lower than, those shown on the cover of the Official Statement dated March 12, 2007, relating to the Series 2007 A Bonds. We have made a bona fide public offering of all Series 2007 A Bonds at the public offering price. At the time we agreed to purchase the Series 2007 A Bonds, based upon our assessment of the then prevailing market conditions, we had no reason to believe any of the Series 2007 A Bonds would be initially sold to the public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices greater than the prices or yields less than the yields, shown on the cover of the Official Statement.

(b) The level of funding of the Series 2007 A Bonds Reserve Account established by the Ordinance authorizing issuance of the Series 2007 A Bonds is reasonable and necessary because such an amount is required as a condition to marketing the Series 2007 A Bonds at the interest rates and with the maturities established for the Series 2007 A Bonds. Such amount was determined to be necessary to reduce the probability of a default on the Series 2007 A Bonds due to a temporary decrease in revenues or increase in operating expenses. The amount to be maintained in the Series 2007 A Bonds Reserve Account is less than 125% of the average annual debt service on the Series 2007 A Bonds and is less than either the maximum annual debt service on the Series 2007 A Bonds or 10% of the face amount of the Series 2007 A Bonds.

(c) The weighted average maturity of the Series 2007 A Bonds is 22.675 years.

(d) The net interest cost on the Series 2007 A Bonds is 5.0018126%

(e) The yield on the Series 2007 A Bonds is 4.9573119%.

(f) This certificate may be relied upon by the Issuer with respect to completion of its Tax and Non-Arbitrage Certificate and IRS Form 8038-G relating to the Series 2007 A Bonds, and by Steptoe & Johnson PLLC in rendering their tax opinion with respect to the Series 2007 A Bonds.

Dated this 16th day of March, 2007.

CREWS & ASSOCIATES, INC.

By: _____
Its: Vice President

03.07.07
621500.00002

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. The Issuer deems this Preliminary Official Statement to be final for the purposes of the Securities and Exchange Commission Rule 15c2-12(b)(1), except for certain information on the cover page hereof and certain pages herein which have been omitted in accordance with said Rule and which will be supplied in the final Official Statement.

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 9, 2007

NEW ISSUE-BOOK ENTRY ONLY

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, interest on the Series 2007 Bonds is excludable from gross income of the holders thereof for federal income tax purposes, and interest on the Series 2007 Bonds will not be treated as a preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest paid to corporate holders of the Series 2007 Bonds may be indirectly subject to alternative minimum tax under certain circumstances. Further, in the opinion of Bond Counsel, under existing laws of the State of West Virginia, the Series 2007 Bonds, and the interest thereon are exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia. See "TAX MATTERS" herein.

$3,135,000*
TOWN OF MOOREFIELD (WEST VIRGINIA)
WATER REVENUE BONDS, SERIES 2007 A (TAX-EXEMPT)

Dated: March 1, 2007 Due: March 1, as shown below

The Series 2007 Bonds are issuable only as fully registered bonds without coupons in denominations of $5,000 and integral multiples thereof for any year of maturity. All of the Series 2007 Bonds initially will be maintained under a book-entry system under which The Depository Trust Company, New York, New York ("DTC"), will act as securities depository. Purchases of the Series 2007 Bonds will be in book-entry form only. Semiannual interest on the Series 2007 Bonds is payable September 1, 2007, and each March 1 and September 1 thereafter. So long as the Series 2007 Bonds are maintained under a book-entry system, payments of the principal of and premium, if any, and interest on the Series 2007 Bonds will be made when due by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent (the "Paying Agent"), to DTC in accordance with the Ordinance and the Supplemental Parameters Resolutions, and the Paying Agent will have no obligation to make any payments to any beneficial owner of any Series 2007 Bonds. See "THE SERIES 2007 BONDS - Book-Entry Only System." The Series 2007 Bonds are subject to redemption prior to maturity as described herein.

The Series 2007 Bonds are being issued, together with other funds available therefor, to: (i) construct improvements and extensions to the Town's water system; (ii) provide funds in the amount of $_____ to be deposited in the Series 2007 Bonds Reserve Account, which will equal the maximum annual debt service on the Series 2007 Bonds; and (iii) pay certain costs of issuance of the Series 2007 Bonds and related costs.

The Town has designated the Series 2007 Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Internal Revenue Code of 1986, as amended.

The Series 2007 Bonds are payable from and further secured by the Gross Revenues derived from the existing water system of the Town and any extensions, improvements and betterments thereto on parity with the Prior Bonds, as hereinafter defined, and any additional parity bonds that may hereafter be issued by the Town as permitted by the Ordinance, as hereinafter defined, and the Series 2007 Bonds are also payable from funds on deposit in the Series 2007 Bonds Sinking Fund and the Reserve Account therein. The Series 2007 Bonds do not constitute an indebtedness of the Town within the meaning of any constitutional or statutory provisions or limitations, and the Town shall not be obligated to pay the principal or premium, if any, of and the interest on the Series 2007 Bonds, except from the Gross Revenues and such funds on deposit. Neither the full faith and credit nor the taxing power of the Town shall be deemed to be pledged to, nor shall any tax be levied for, the payment or the principal of or the premium, if any, or interest on the Series 2007 Bonds.

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS*

$_____* Series 2007 Serial Bonds

Maturity (March 1)	Principal Amount	Interest Rate	Price or Yield
	$	%	%

$_____* ____% Series 2007 Term Bonds due March 1, 20__ at ____%

(Accrued interest to be added)

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision. The Series 2007 Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of legality by Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel. Jack H. Walters, Moorefield, West Virginia, Counsel to the Town, will pass upon certain legal matters for the Town. Goodwin & Goodwin, LLP, Charleston, West Virginia, as counsel to the Underwriter, will pass upon certain legal matters for the Underwriter. It is expected that the Series 2007 Bonds will be available for delivery in New York, New York on or about March __, 2007.

Crews&Associates
Member First Security Bancorp

Dated: March __, 2007

*Preliminary, subject to change.

TOWN OF MOOREFIELD, WEST VIRGINIA

MAYOR
Gary Stalnaker

RECORDER
Phyllis Sherman

COUNCIL
Steve Wilson - Council Member
Beverly Baker - Council Member
Carlton Hilliard - Council Member
Chip Combs - Council Member
Larry Kuykendall - Council Member

BOND COUNSEL
Steptoe & Johnson PLLC
Charleston, West Virginia

ISSUER'S COUNSEL
Jack H. Walters, Esq.
Moorefield, West Virginia

UNDERWRITER'S COUNSEL
Goodwin & Goodwin, LLP
Charleston, West Virginia

CONSULTING ENGINEERS
Metcalf & Eddy of New York, Inc.
New York, New York

AUDITORS
Gohdes & Thomas, CPAs
Moorefield, West Virginia

UNDERWRITER
Crews & Associates, Inc.
Charleston, West Virginia

DEPOSITORY BANK
First United Bank and Trust Bank
Moorefield, West Virginia

REGISTRAR
United Bank, Inc.
Charleston, West Virginia

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2007 Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by the Town of Moorefield, West Virginia, or the Underwriter to give any information or to make any representations, other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information set forth herein has been obtained from the Town of Moorefield and other sources, which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and any expression of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Town of Moorefield, West Virginia, as it relates to the System, since the date hereof. This Official Statement is submitted in connection with the sale of securities referred to herein, and may not be reproduced or used, in whole or in part, for any other purposes.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2007 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

INTRODUCTION 1
FINANCING PLAN 3
Estimated Sources and Uses of Funds 3
THE SERIES 2007 BONDS 3
General 3
Optional Redemption 4
Mandatory Redemption 5
Notice of Redemption 5
BOOK-ENTRY ONLY SYSTEM 6
The Depository Trust Company 6
Ownership of Series 2007 Bonds 6
Payments on and Redemption of Series 2007 Bonds 7
Discontinuance of Book-Entry Only System 8
ADDITIONAL SECURITY FOR THE SERIES 2007 BONDS 8
Outstanding Bonds 8
Sources of Payment 9
Rate Covenant 9
Series 2007 Bonds Reserve Account 10
Application of Revenues 10
Enforcement of Collections 12
Additional Parity Bonds 12
PROJECT AND SYSTEM BACKGROUND 14
The Project 14
Water Usage 15
Customer History 15
Major Users 16
Water Source 16
Wholesale Contracts 16
Certain Officers and Personnel 16
Rates 16
Public Service Commission 20
Billing and Collections 20
System Budget and Expenditures 21
Method of Accounting 21
Summary of Historical Revenues and Expenses 22
Retirement System 22
ANNUAL DEBT SERVICE REQUIREMENTS 23
SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE 24
Application of Series 2007 Bond Proceeds 24
Application of System Revenues 24
System Revenues; Flow of Funds 24
Investments 27
General Covenants 28
Default and Remedies 33
TAX MATTERS 34

APPROVAL OF LEGALITY 35
ABSENCE OF MATERIAL LITIGATION 35
NEGOTIABLE INSTRUMENTS 36
UNDERWRITING 36
FINANCIAL STATEMENTS 36
CONTINUING DISCLOSURE 36
MISCELLANEOUS 37

APPENDIX A - General Information Regarding Hardy County (West Virginia). A-1
APPENDIX B - Financial Statements. B-1
APPENDIX C - Form of Opinion of Bond Counsel C-1
APPENDIX D - Continuing Disclosure Certificate D-1

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OFFICIAL STATEMENT

$3,135,000*
TOWN OF MOOREFIELD (WEST VIRGINIA)
WATER REVENUE BONDS, SERIES 2007 A (TAX-EXEMPT)

INTRODUCTION

This Official Statement, including the cover page and appendices, is provided for the purpose of setting forth certain information concerning the Town of Moorefield, West Virginia (the "Town"), the Town's municipal water system hereinafter described and the Town's $3,135,000* in aggregate principal amount of Water Revenue Bonds, Series 2007 A (Tax-Exempt) (the "Series 2007 Bonds" or the "Series 2007 A Bonds"). The Series 2007 Bonds are being issued pursuant to the Constitution and laws of the State of West Virginia (the "State"), specifically Chapter 8, Article 19 of the Code of West Virginia of 1931, as amended (the "Act"), and an ordinance enacted by the Council of the Town on February 28, 2007 (the "Original Ordinance"), as supplemented and amended by supplemental resolutions adopted by the Council of the Town pursuant to the Original Ordinance (the "Supplemental Resolutions" and together with the Original Ordinance, the "Ordinance").

The proceeds of the Series 2007 Bonds, together with other funds available therefor, will be used as follows: (i) to construct improvements and extensions to the Town's water system; (ii) to provide funds in the amount of $_____, to be deposited in the Series 2007 Bonds Reserve Account, which will equal the maximum annual debt service on the Series 2007 Bonds; and (iii) to pay certain costs of issuance of the Series 2007 Bonds and related costs.

The Series 2007 Bonds are payable from and secured by the Gross Revenues, as defined in the Ordinance, derived from the existing water system of the Town and any extensions, improvements or betterments thereto (the "System") on parity with the First Lien Bonds and senior and prior to the Second Lien Bonds, as hereinafter defined, and any Additional Bonds that may hereafter be issued by the Town as permitted by the Ordinance, and the Series 2007 Bonds are also payable from funds on deposit in the Series 2007 Bonds Sinking Fund and the Reserve Account therein. The Series 2007 Bonds do not constitute an indebtedness of the Town within the meaning of any constitutional or statutory provisions or limitations, and the Town shall not be obligated to pay the Series 2007 Bonds or premium, if any, or the interest thereon except from such Gross Revenues and such funds on deposit.

*Preliminary, subject to change.

Pursuant to the Ordinance and the ordinances enacted with respect to the First Lien Bonds outstanding payable from the Gross Revenues, the Town has covenanted and agreed to establish and collect just and equitable rates and charges for the use of the System and the services rendered thereby as will produce for each fiscal year Net Revenues, as defined in the Ordinance, equal to at least 115% of the maximum amount required in any year to pay the principal of and interest on the Series 2007 Bonds, the First Lien Bonds and all other obligations secured by a lien on or payable from Net Revenues prior to or on parity with the Series 2007 Bonds. See "ADDITIONAL SECURITY FOR THE SERIES 2007 BONDS - Rate Covenant."

The Series 2007 Bonds will be dated, will mature, will bear interest and will be subject to redemption prior to maturity as more fully described on the cover page and under the heading "THE SERIES 2007 BONDS" herein. The Series 2007 Bonds initially will be maintained under a book-entry system. So long as the Series 2007 Bonds are maintained under a book-entry system, the manner of payment, the denominations, the transfer and exchange of ownership and the method of providing notice of redemption to the owners of the Series 2007 Bonds shall be determined as described under the "BOOK-ENTRY ONLY SYSTEM" herein. If the book-entry system is discontinued, principal of, interest, and premium, if any, on the Series 2007 Bonds will be payable by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (the "Paying Agent"), to the owners thereof at the addresses appearing in the books kept by United Bank, Inc., Charleston, West Virginia, as registrar (the "Registrar"). For further information describing the method of payment and other matters in the event the book-entry system is discontinued, see "THE SERIES 2007 BONDS" herein.

For a description of the exclusion of interest on the Series 2007 Bonds from gross income for federal and state income tax purposes, see "TAX MATTERS" herein.

The Town may issue additional bonds on a parity with the Series 2007 Bonds and the First Lien Bonds and senior and prior to the Second Lien Bonds for the purpose of financing the cost of the construction or acquisition of additions, improvements and betterments to the System and/or refunding one or more or all series of bonds subject, in each case, to certain tests and conditions provided for by the Ordinance. See "ADDITIONAL SECURITY FOR THE SERIES 2007 BONDS - Additional Parity Bonds."

The Series 2007 Bonds are offered when, as and if issued and received on behalf of the underwriter appearing on the cover page hereof (the "Underwriter"), subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of the legality by Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel. Jack H. Walters, Moorefield, West Virginia, will pass upon certain legal matters for the Town. Goodwin & Goodwin, LLP, Charleston, West Virginia, as counsel to the Underwriter, will pass upon certain legal matters for the Underwriter.

Brief descriptions of the Series 2007 Bonds, the System, the Town and certain provisions of the Ordinance and the Act, as defined in the Ordinance and hereinbefore, are set forth in this Official Statement, as well as other information contained in the appendices hereto. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Ordinance, provisions of the Act and other applicable laws of the State are qualified in

their entirety by reference to each such document or law. References herein to the Series 2007 Bonds are qualified in their entirety by reference to the form thereof included in the Ordinance and the information with respect thereto included in the aforesaid documents. Capitalized terms used and not otherwise defined in this Official Statement shall have the respective meanings given them in the Ordinance. Copies of the Ordinance and other applicable documents may be obtained from the Town or, during the period of offering the Series 2007 Bonds, from the Underwriter.

FINANCING PLAN

The Series 2007 Bonds are being issued for the primary purpose of funding the design, acquisition and construction of certain additions, betterments and improvements to the Town's existing municipal waterworks system.

Estimated Sources and Uses of Funds*

Sources of Funds:	
Principal Amount of Bonds	$3,135,000.00*
Plus: Accrued Interest	
Less: Original Issue Discount	
Total Sources	$
Uses of Funds:	
Construction Fund	$
Deposit to Series 2007 Bonds Sinking Fund	
Deposit to the Series 2007 Bonds Reserve Account	
Underwriter's Discount	
Costs of Issuance (1)	
Total Uses	$

(1) Includes legal fees, printing costs and other miscellaneous expenses relating to the issuance of the Series 2007 Bonds.

*Preliminary, subject to change.

THE SERIES 2007 BONDS

General

The Series 2007 Bonds shall be dated as of the date provided in a Supplemental Resolution and shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Series 2007 Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Series 2007 Bonds shall be in default, Series 2007 Bonds issued in exchange for Series 2007 Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial

Series 2007 Bonds surrendered. The Series 2007 Bonds will bear interest from their date, payable semiannually on each March 1 and September 1, commencing September 1, 2007, upon original issuance, at the rates per annum and will mature on the dates and in the amounts set forth on the cover page of this Official Statement.

The Series 2007 Bonds will be issued as fully registered bonds without coupons in denominations of $5,000 and integral multiples thereof for any year of maturity. The Series 2007 Bonds initially shall be maintained under a book-entry system; Beneficial Owners shall have no right to receive physical possession of the Series 2007 Bonds and payments of principal or redemption price of and interest on the Series 2007 Bonds will be made as described herein under "BOOK-ENTRY ONLY SYSTEM." If the book-entry system is discontinued, interest on the Series 2007 Bonds will be payable by check or draft made payable and mailed to the owners thereof at the addresses appearing in the books kept by the Registrar as of the 15th day of the month preceding such interest payment date (the "Record Date"). If the book-entry system is discontinued, principal of and premium, if any, on the Series 2007 Bonds will be payable to the owner thereof upon surrender thereof at the office of the Paying Agent.

So long as the Series 2007 Bonds are maintained under a book-entry system, transfers of ownership interests in the Series 2007 Bonds will be made as described herein under "BOOK--ENTRY ONLY SYSTEM." If the book-entry system is discontinued, ownership of any Series 2007 Bond may be transferred upon surrender thereof to the Registrar, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or his duly authorized attorney or legal representative. Upon any such transfer of a Series 2007 Bond, there will be issued another Series 2007 Bond or Series 2007 Bonds, at the option of the transferee, of the same aggregate principal amount, series, maturity and interest rate as said Series 2007 Bond. For every exchange or transfer of Series 2007 Bonds, the Registrar may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. The party requesting such transfer shall pay any service charge of the Registrar and any applicable tax or other governmental charge.

Optional Redemption*

The Series 2007 Bonds maturing on or after March 1, 201_, at the option of the Town, will be subject to redemption prior to maturity, as a whole or in part at any time after March 1, 201_, at a redemption price (expressed as a percentage of the principal amount to be redeemed) set forth below, plus accrued interest to the date fixed for redemption:

Period During Which Redeemed (both dates inclusive)	
Redemption Dates	**Redemption Price**
March 1, 201_ - February 28, 201_	10_%
March 1, 201_ - February 28, 201_	10_
March 1, 201_ and thereafter	100

If fewer than all of the Series 2007 Bonds shall be called for optional redemption, the particular maturities of the Series 2007 Bonds to be redeemed shall be selected by the Town in such

manner as it shall determine. So long as the Series 2007 Bonds are maintained under a book-entry system, the selection of individual ownership interests in the Series 2007 Bonds to be credited with any partial redemption shall be made as described herein under "BOOK-ENTRY ONLY SYSTEM."

Mandatory Redemption*

The Series 2007 Bonds maturing March 1, 201_, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 201_, and on each March 1 thereafter to and including March 1, 201_, in annual principal amounts as follows:

Year	Amount
201_	$___,000
201_	___,000
201_	___,000
201_ (Maturity)	___,000

The principal amount of Series 2007 Bonds maturing March 1, 201_, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2007 Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

*Preliminary, subject to change.

Notice of Redemption

So long as the Series 2007 Bonds are maintained under a book-entry system, notice of the call for any redemption of the Series 2007 Bonds shall be given as described below under "BOOK-ENTRY ONLY SYSTEM." At any other time, notice to the registered owner of any redemption shall be given by the Registrar not less than 30 nor more than 60 days prior to the date fixed for redemption by registered or certified mail at the address appearing in the Register. Failure to receive such notice or any defect in the mailing thereof shall not affect the validity of any proceedings for the redemption of the Series 2007 Bonds; and failure to mail such notice shall not affect the validity of any such proceedings for any Series 2007 Bond with respect to which no such failure has occurred. Notice of redemption having been given in the manner hereinabove and in the Ordinance described and moneys necessary therefor having been deposited with the Paying Agent, the Series 2007 Bonds specified in such notice shall on the date fixed for redemption be deemed paid, and interest thereon shall cease to accrue.

BOOK-ENTRY ONLY SYSTEM

The information in this section has been obtained from sources that the Town and the Underwriter believe to be reliable, but neither the Town nor the Underwriter takes any responsibility for the accuracy thereof.

The Depository Trust Company

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Series 2007 Bonds. The Series 2007 Bonds will be issued as fully registered securities registered in the name of Cede & Co., DTC's partnership nominee. One fully registered certificate of the Series 2007 Bonds will be issued for each maturity of the Series 2007 Bonds in principal amount equal to the aggregate principal amount of the Series 2007 Bonds of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants (the "Participants") deposit with DTC. DTC also facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as securities brokers and dealers, banks and trust companies, that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Ownership of Series 2007 Bonds

Purchases of the Series 2007 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2007 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2007 Bond (the "Beneficial Owner") is in turn to be recorded on the Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participants through which the Beneficial Owners entered into the transaction. Transfers of ownership interests in the Series 2007 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of the Beneficial Owners.

Beneficial Owners will not receive certificates representing their ownership interests in the Series 2007 Bonds except in the event that use of the book-entry system for the Series 2007

Bonds is discontinued under the circumstances described below under "Discontinuance of Book Entry System."

To facilitate subsequent transfers, Series 2007 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2007 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2007 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2007 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. If the consent or vote of DTC or Cede & Co. is requested, under its usual procedures, DTC will mail an Omnibus Proxy to the Town as soon as possible after the record date assigning Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2007 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

So long as a nominee of DTC is the registered owner of the Series 2007 Bonds, references herein to the Bondholders or the holders or owners of the Series 2007 Bonds shall mean DTC and shall not mean the Beneficial Owners of the Series 2007 Bonds. The Town, the Registrar and the Paying Agent will recognize DTC or its nominee as the holder of all of the Series 2007 Bonds for all purposes, including the payment of the principal or redemption price of and interest on the Series 2007 Bonds, as well as the giving of notices and any consent or direction required or permitted to be given to or on behalf of the Bondholders under the Ordinance. Neither the Town, the Registrar nor the Paying Agent will have any responsibility or obligation to Participants or Beneficial Owners with respect to payments or notices to Participants or Beneficial Owners.

Payments on and Redemption of Series 2007 Bonds

So long as the Series 2007 Bonds are held by DTC under a book-entry system, principal or redemption price of and interest payments on the Series 2007 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the date on which such principal or interest is payable in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on such date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," subject to any statutory or regulatory requirements as may be in effect from time to time, and will be the responsibility of such Participants and not of DTC, the Paying Agent or the Town. Payment of principal and interest to DTC is the responsibility of the Town or Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of Participants.

So long as the Series 2007 Bonds are held by DTC under a book-entry system, the Registrar will send any notice of redemption with respect to the Series 2007 Bonds only to Cede & Co. Any failure of DTC to advise any Direct Participant, or of any Direct Participant to notify any Indirect Participant or any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the proceedings for the redemption of the Series 2007 Bonds or of any other action premised on such notice. If fewer than all of the Series 2007 Bonds of any maturity are selected for redemption, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Any such selection of Direct Participants to which any such partial redemption will be credited will not be governed by the Ordinance and will not be made by the Town, the Registrar or the Paying Agent.

The Town, the Registrar and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Series 2007 Bonds paid to DTC or its nominee as the registered owner of the Series 2007 Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

DTC may charge the Participants a sum sufficient to cover any tax, fee or other governmental charge that may be imposed for every transfer and exchange of a beneficial interest in the Series 2007 Bonds, and the Participants may seek reimbursement therefor from the Beneficial Owners.

Discontinuance of Book-Entry Only System

DTC may resign or may be discharged by the Town as a securities depository for the Series 2007 Bonds and, in such event, the Town may discontinue the maintenance of the Series 2007 Bonds under a book-entry system or replace DTC with another qualified securities depository. Unless the Town appoints a securities depository to replace DTC, the Series 2007 Bonds held by DTC will be canceled and the Town will execute and the Registrar will authenticate and deliver Series 2007 Bonds in fully certificated form to the Participants shown on the records of DTC provided to the Registrar or, to the extent requested by any Participant, to the Beneficial Owners of the Series 2007 Bonds shown on the records of such Participant provided to the Registrar.

ADDITIONAL SECURITY FOR THE SERIES 2007 BONDS

The Series 2007 Bonds are special obligations of the Town and are payable as to principal, premium, if any, and interest solely from the sources described below. The Town is under no obligation to pay the Series 2007 Bonds except from said sources.

Outstanding Bonds

The Town has outstanding the following bonds payable from the Gross Revenues of the System that are on parity with the Series 2007 Bonds: The Town's Water Revenue Bonds, Series 1987 A, dated November 20, 1987, originally issued in the aggregate principal amount of $443,275, of which $372,106 is currently outstanding (the "Series 1987 A Bonds"), and the Town's Water Revenue Bonds, Series 1992 A, dated May 28, 1992, originally issued in the aggregate principal

amount of $1,451,613, of which $1,297,618 is currently outstanding (the "Series 1992 A Bonds" and, together with the Series 1987 A Bonds, the "First Lien Bonds"). In addition, the Town has outstanding the following bonds payable from the Gross Revenues of the System that are junior and subordinate to the Series 2007 Bonds: The Town's Water Revenue Bonds, Series 1987 B, dated November 20, 1987, originally issued in the aggregate principal amount of $108,725, of which $57,224 is currently outstanding (the "Series 1987 B Bonds"), and the Town's Water Revenue Bonds, Series 1992 B, dated May 28, 1992, originally issued in the aggregate principal amount of $48,387, of which $31,017 is currently outstanding (the "Series 1992 B Bonds" and, together with the Series 1987 B Bonds, the "Second Lien Bonds") (collectively, the "Prior Bonds").

Sources of Payment

The payment of the debt service on the Series 2007 Bonds shall be secured forthwith equally and ratably by a first lien on and pledge of the Gross Revenues derived from the System, on parity with the First Lien Bonds, but senior and prior to the Second Lien Bonds, and any additional parity bonds that may hereafter be issued by the Town as permitted by the Ordinance, and the Series 2007 Bonds are also payable from the funds on deposit in the Series 2007 Bonds Sinking Fund and the Reserve Account therein. Gross Revenues derived from the System in an amount sufficient to pay the principal of, premium, if any, and interest on the Bonds and to make the payments into the Series 2007 Bonds Sinking Fund and all other payments provided for in the Ordinance, and the funds in the Series 2007 Bonds Sinking Fund and the Reserve Account therein are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Series 2007 Bonds as the same become due and for the other purposes provided in the Ordinance.

Rate Covenant

Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Recorder, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Town covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2007 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to, on a parity with or subordinate to the Series 2007 A Bonds, including the Prior Bonds.

The Town further covenants to commence enactment of such ordinance or ordinances as shall be required to increase the rates and charges for the services and facilities of the System within 30 days following a determination of the Independent Accountant that less than the

above-required coverage exists or in the event that the annual audit report shows less than the above-required coverage, such increase to provide rates and charges sufficient to produce such required coverage.

Series 2007 Bonds Reserve Account

$_____ of proceeds of the Series 2007 Bonds will be deposited in the Series 2007 Bonds Reserve Account, which will equal the maximum annual debt service on the Series 2007 Bonds (the "Series 2007 Bonds Reserve Requirement" or the "Series 2007 A Bonds Reserve Requirement").

In the event of a transfer from the Series 2007 Bonds Reserve Account to the Series 2007 Bonds Sinking Fund as aforesaid, the Town shall restore the balance to the Series 2007 Bonds Reserve Account in an amount up to the Series 2007 Bonds Reserve Requirement, and the Town shall replenish the Series 2007 Bonds Reserve Account with the first Net Revenues available after all required payments have been made in full in the order set forth in the Ordinance.

Application of Revenues

All Gross Revenues are to be deposited in the Revenue Fund established with First United Bank and Trust Bank, Moorefield, West Virginia, as the depository bank (the "Depository Bank"), for disposition in the following order of priority; **first**, from the monies in the Revenue Fund, on the first day of each month, simultaneously remit to the Commission (i) the amounts required by the Prior Ordinances to be deposited in the First Lien Bonds Sinking Funds for payment of interest on the First Lien Bonds; and (ii) beginning on the first day of that month which is 6 months prior to the first interest payment date on the Series 2007 A Bonds, apportion and set apart out of the Revenue Fund and deposit in the Series 2007 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 2007 A Bonds on the next ensuing semiannual interest payment date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2007 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date, and provided further, that the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2007 A Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2007 A Bonds deposited therein, if any, and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2007 A Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2007 A Bonds Sinking Fund; **second**, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) the amounts required by the Prior Ordinances to be deposited in the First Lien Bonds Sinking Funds for payment of principal on the First Lien Bonds; and (ii) for deposit in the Series 2007 A Bonds Sinking Fund (and in the Series 2007 A Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed) on the first day of each month, beginning on the first day of that month which is 12 months prior to the first principal payment or mandatory Redemption Date of the Series 2007 A Bonds, a sum equal to 1/12th of the amount (or 1/6th of the amount if the Series 2007 A Bonds mature semiannually

rather than annually) of principal which will mature or be redeemed and become due on the Series 2007 A Bonds on the next ensuing principal payment or mandatory Redemption Date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2007 A Bonds Sinking Fund and the next ensuing principal payment or mandatory Redemption Date is less than or greater than 12 months (or 6 months if the Series 2007 A Bonds mature semiannually rather than annually), then such monthly payments shall be increased or decreased proportionately to provide, one month prior to the next ensuing principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2007 A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph; **third**, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) the amounts required by the Prior Ordinances to be deposited in the First Lien Bonds Reserve Accounts for the First Lien Bonds; and (ii) for deposit in the Series 2007 A Bonds Reserve Account, an amount equal to the Series 2007 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2007 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2007 A Bonds Reserve Requirement; provided further, that if the amounts in the Series 2007 A Bonds Reserve Account, as a result of a decrease in value of the Series 2007 A Bonds Reserve Account below the Series 2007 A Bonds Reserve Account Requirement or any withdrawal from the Series 2007 A Bonds Reserve Account, the Issuer shall apply such monies for deposit into the Series 2007 A Bonds Reserve Act, beginning with the first full calendar month following the date on which the valuation of investments in the Series 2007 A Bonds Reserve Account results in a determination that the amount of monies and the value of the Qualified Investments deposited to the credit of the Series 2007 A Bonds Reserve Account is less than the Series 2007 A Bonds Reserve Requirement. Amounts in the Series 2007 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2007 A Bonds when due, when amounts in the Series 2007 A Bonds Sinking Fund are insufficient therefor and for no other purpose; **fourth**, on the first day of each month, transfer from the monies remaining in the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund (as previously set forth in the Prior Ordinances and not in addition thereto), a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII of the Ordinance. Subject to the restrictions contained in the Prior Ordinances, so long as the Prior Bonds are outstanding, withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, or improvements or extensions to the System; provided, that any deficiency in any Reserve Account, except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof, shall be promptly eliminated with monies from the Renewal and Replacement Fund. **fifth**, on the first day of each month, transfer from the Revenue Fund and pay to the Commission the amounts required by the Prior Ordinances to be deposited in the Second Lien Bonds Sinking Funds for payment of principal on the Second Lien Bonds; **sixth**, on the first day of each month, transfer from the Revenue Fund and pay to the Commission the amounts required by the Prior Ordinances to be deposited in the Second Lien Bonds Reserve

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

Enforcement of Collections

The Town covenants in the Ordinance to diligently enforce and collect all fees, rates, 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, rates, rentals and other charges that shall become delinquent to the full extent permitted or authorized by the Act, or otherwise by the laws of the State. The Town further covenants and agrees in the Ordinance that it will, subject to applicable State law and regulations, and under such reasonable rules and regulations as may be prescribed by the Town, discontinue water services to all delinquent users, until such delinquent amounts, plus reasonable interest and penalty charges thereon, have been fully paid. (See "THE SYSTEM - Customer Statistics.")

Additional Parity Bonds

The Ordinance provides that so long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Ordinances shall be applicable. In addition, no additional Parity Bonds, as defined in the Ordinance, payable out of the Revenues of the System shall be issued after the issuance of any bonds pursuant to the Ordinance, except under the conditions and in the manner therein provided.

No such additional parity bonds shall be issued except for the purpose of financing the costs of design, acquisition or construction of additions, betterments or improvements to the System, refunding all or a portion of one or more series of Bonds issued pursuant hereto or the Prior Bonds, to pay claims which may exist against the revenues or facilities of the System, or all of such purposes.

No such additional parity bonds shall be issued at any time, however, unless and until there has been procured and filed with the Recorder a written statement by an Independent Accountant, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months within the 18 months immediately preceding the date of the actual issuance of such additional parity bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the date of issuance of such additional parity bonds, shall be not less than 115% of the Maximum Annual Debt Service on the following:

(1) The Series 2007 A Bonds then Outstanding;

(2) The Prior Bonds Outstanding;

(3) Any additional parity bonds theretofore issued pursuant to the provisions contained in the Ordinance then Outstanding; and

(4) The additional parity bonds then proposed to be issued.

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

The Net Revenues actually derived from the System during the 12 consecutive month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent Accountant, as stated in a certificate on account of increased rates, rentals, fees and charges for the System enacted by the Town, the time for appeal of which shall have expired (without successful appeal) prior to issuance of such additional parity bonds. Not later than simultaneously with the delivery of such additional parity bonds, the Town shall have entered into written contracts for the immediate design, construction or acquisition of such additions, extensions, betterments or improvements, if any, to the System which are to be financed by such additional parity bonds.

The term "Additional Parity Bonds," as used herein, shall be deemed to mean additional bonds issued under the provisions and within the limitations of this section, payable from the Gross Revenues of the System on a parity with the Series 2007 A Bonds and the Prior Bonds, and all the covenants and other provisions of the Ordinance (except as to details of such Additional Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Series 2007 A Bonds and the Prior Bonds and the Holders of any Additional Parity Bonds theretofore or subsequently issued from time to time within the limitations of and in compliance with the Ordinance. All the 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 and accounts created in the Ordinance required for and on account of such Additional Parity Bonds, in addition to the payments required for bonds theretofore issued pursuant to the Ordinance. No Additional Parity Bonds shall be valid unless authenticated pursuant to Section 3.03 of the Ordinance. Prior to such authentication, registration, if applicable, and delivery, the Registrar shall receive those documents prescribed by Section 3.12 of the Ordinance with respect to the Series 2007 A Bonds, modified as deemed necessary by the Registrar to reflect the issuance of such additional parity bonds.

The term "Additional Parity Bonds," as used herein, shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien on the Revenues of

the System of which is subject to the prior and superior lien of the bonds on such Revenues. Any such subordinate bonds, notes, certificates or other obligations shall be payable from the Gross Revenues remaining after all payments required to be made pursuant to Section 4.03(1), (2) and (3) of the Ordinance have first been paid. The Town shall not issue any obligations whatsoever payable from the Revenues of the System, or any part thereof, which rank prior to or equally, as to lien and source of and security for payment from such Revenues, with the Series 2007 A Bonds except in the manner and under the conditions provided in this section.

No Additional Parity Bonds shall be issued at any time, however, unless all of the payments into the respective funds and accounts provided for in the Ordinance on account of the Bonds then Outstanding (excluding the Renewal and Replacement Fund) and the Prior Bonds, and any other payments provided for in the Ordinance, shall have been made in full as required to the date of delivery of the Additional Parity Bonds and the Town shall then be in full compliance with all the covenants, agreements and terms in the Ordinance and every ordinance supplemental thereto, or shall have fully corrected any delinquency or deficiency with respect to such payments and compliance. The Town may issue Additional Parity Bonds without compliance with any other conditions for the purpose of refunding prior to maturity any series of the Series 2007 A Bonds or portion thereof, provided that the annual debt service required on account of the refunding Bonds and the Series 2007 A Bonds which are not refunded shall not be greater in any year in which the Series 2007 A Bonds not refunded and the refunding Bonds are to be Outstanding than the annual debt service required in such year if the Series 2007 A Bonds to be refunded were not so refunded and provided further, that the final maturity of such Additional Parity Bonds does not exceed that of the refunded bonds.

PROJECT AND SYSTEM BACKGROUND

The Project

The project will improve the overall reliability of the Town's entire waterworks system by providing additional tank storage, improved core distribution network, increased water treatment production capacity and improved treatment production reliability. The project consists of a new 1.5 million MG storage tank, 5,850 feet of new 12-inch pipe to meet high demands from the two poultry facilities and to meet fire demands, and to increase the pumping capacity of the two existing plants from 2.5 mgd to 3.0 mgd.

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Water Usage

Annual Usage History by Source - City of Moorefield

Year Ended June 30	Residential Gallons	Commercial Gallons	Industrial Gallons	Resale Gallons	Total
2006	40,237	34,650	848,623	96,939	1,020,449
2005	39,150	33,839	860,266	95,473	1,028,728
2004	39,640	33,536	877,983	87,823	1,038,982
2003	40,479	60,940	812,532	79,185	993,136
2002	41,121	32,383	795,770	60,330	929,604

Daily Consumption History by Source (MGD)- Town of Moorefield

Year Ended June 30	Residential Gallons	Commercial Gallons	Industrial Gallons	Resale Gallons	Total
2006	110	95	2,325	266	2,796
2005	108	93	2,357	262	2,820
2004	109	92	2,405	241	2,847
2003	111	167	2,226	217	2,721
2002	113	89	2,180	165	2,547

Customer History

Customer Count by Type - Town of Moorefield

Year Ended June 30	Residential	Commercial	Resale	Industrial	Total
2006	866	256	4	22	1,148
2005	842	254	4	22	1,122
2004	822	252	4	23	1,101
2003	841	250	4	24	1,119
2002	845	251	4	24	1,124

Major Users

Customer	7/1/05 to 6/30/06 Consumption (gallons)	Revenue
Pilgrim's Pride	721,493,000	$591,368.29
Hardy Co. PSD & RDA	96,939,060	76,875.42
American Woodmark	14,247,000	11,866.09
Arlington Manor MH Park	2,574,190	3,235.35
Lee Street Apartments	1,192,900	2,341.33

Water Source

The Town currently uses the following three sources for its supply:

Source	Gallons/day	Pumping Method
South Fork, South Branch of the Potomac River	1,500,000	Submersible and vertical turbine pumps
South Fork, South Branch of the Potomac River	1,500,000	Submersible and vertical turbine pumps
Surface Water - South Branch of the Potomac River (This station is only used as needed.)	Varies	Submersible

Wholesale Contracts

None

Certain Officers and Personnel

Six (6) people are employed in the Water Department. None of the Town employees are union members. The Town considers its historical and current relationship with employees assigned to the system to be good.

Rates

The current schedule of rates and charges has been in place since November 21, 2005. The Council passed an ordinance modifying the previously prevailing schedule of rates and charges on May 18, 2005. The following table sets for the current rates and charges. Tier One went into effect on November 21, 2005. Tier Two rates will go into effect when the project is substantially complete.

TIER ONE RATES

APPLICABILITY

Applicable within tbe entire territory served

AVAILABILITY

Available for general domestic, commercial, industrial and sale for resale water service

RATES - (Customers with metered water supply)

RESIDENTIAL CUSTOMERS

Service Charge $5.00 per month
Usage Charge $2.86 per 1,000 gallons water usage

COMMERCIAL CUSTOMERS

Service Charge $5.00 per month
Usage Charge $1.28 per 1,000 gallons water usage

INDUSTRIAL CUSTOMERS

Service Charge $5.00 per month
Usage Charge $0.84 per 1,000 gallons water usage

SALES FOR RESALE SERVICE

All water for resale to the Hardy County Public Service District or the Hardy County RDA will be billed in accordance with the approved rate of $0.79 per 1,000 gallons used per month.

DELAYED PAYMENT PENALTY

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

TAP FEE

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

A tap fee of $398.00 will be charged to all customers who apply for service outside of a certificate proceeding before the Commission for each new tap to the system.

Commercial fees are based upon the size of the meter with a schedule of fees available in the Town Office for the general public.

RECONNECTION

$25.00

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

RETURNED CHECK CHARGE

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

LEAK ADJUSTMENT INCREMENT

$0.18 per 1,000 gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible leakage on customer's side of the meter. This rate shall be applied to all such consumption above customer's historical average usage.

MUNICIPAL EXCISE TAX SURCHARGE

The Municipality listed below, having imposed a public utility tax computed on the basis of two percent of revenues from water sales by the Town of Moorefield's water utility within the corporate limits of such municipalities, shall be billed as a "surcharge" to the customers receiving service within said corporate limits.

The water utility is required to collect the utility tax pursuant to West Virginia Code 8-13-5a.

Customers receiving water service within the corporate limits of the specified municipality shall pay a surcharge based on the following surcharge rates:

Municipality of Moorefield - Utility Excise surcharge rate – Two percent (2%) of the gross amount billed.

TIER TWO RATES

APPLICABILITY

Applicable within the entire territory served

AVAILABILITY

Available for general domestic, commercial, industrial and sale for resale service

RATES

RESIDENTIAL CUSTOMERS

Customer Charge - $5.00

Commodity Charge - $3.45

COMMERCIAL CUSTOMERS

Customer Charge - $5.00
Commodity Charge - $1.54

INDUSTRIAL CUSTOMERS

Customer Charge - $5.00
Commodity Charge - $1.01

SALES FOR RESALE SERVICE

All water for resale to the Hardy County PSD or the Hardy County RDA will be billed in accordance with the approved rate of $0.96 per 1,000 gallons used per month.

DELAYED PAYMENT PENALTY

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

TAP FEE

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

A tap fee of $398.00 will be charged to all customers who apply for service outside of a certificate proceeding before the Commission for each new tap to the system.

Commercial fees are based upon the size of the meter with a schedule of fees available in the Town Office for the general public.

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

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MUNICIPAL EXCISE TAX SURCHARGE

The Municipality listed below, having imposed a public utility tax computed on the basis of two percent of revenues from water sales by the Town of Moorefield's water utility within the corporate limits of such municipalities, shall be billed as a "surcharge" to the customers receiving service within said corporate limits. The water utility is required to collect the utility tax pursuant to West Virginia Code 8-13-5a. Customers receiving water service within the corporate limits of the specified municipality shall pay a surcharge based on the following surcharge rates: Municipality of Moorefield - Utility Excise surcharge rate – Two percent (2%) of the gross amount billed.

Public Service Commission

The tariffs, rates, joint rates, tolls and schedules of municipality utilities are not subject to the general authority of the West Virginia Public Service Commission (the "PSC") to enforce, originate, establish, change and promulgate rates and charges. However, such rates and charges shall be just, reasonable, applied without unjust discrimination or preference, and based primarily on the costs of providing such services. Municipal utility rates and charges shall become effective not sooner than forty-five (45) days after adoption. Notice of intent to effect a rate change shall be specified on the monthly bill sent to the customers. Such rates and charges shall be filed with the PSC, together with such information showing the basis of such rates and charges and such other information as the PSC considers necessary.

The PSC shall review and approve or modify such rates upon the filing of a petition, within thirty (30) days of the adoption of the ordinance changing said rates or charges, (1) by any customer aggrieved by the changed rates or charges, who presents to the PSC a petition signed by not less than twenty-five percent (25%) of the customers served by a municipal utility or (2) by any customer or group of customers who presents a petition alleging discrimination between said customer or group of customers and other customers of the municipal utility, accompanied by evidence of discrimination. Upon the filing of a petition or sufficient showing of discrimination, the PSC shall suspend the adoption of the rate change contained in the ordinance for a period of one hundred twenty (120) days from the date said rates or charges would otherwise go into effect or until an order approving, disapproving or modifying the rate change is issued.

The PSC shall have general supervision of all municipal utilities. The PSC may ascertain the quality and quantity of water and shall have power to order such improvements as will best promote the public interests.

Billing and Collections

The Town renders a monthly bill to commercial and other high volume customers of the System. Residential customers are billed once every three months. Payments are due 20 days after the billing date. If a bill remains unpaid beyond the due date, a 10 percent penalty is added to the delinquent account and delinquency procedures are initiated, including the mailing of termination notices and termination of service 30 days after the initial due date. Service on a

delinquent account remains terminated until payment of the account is made. A reconnection charge of $25.00 is required to reinstate a previously delinquent account.

The Town has a policy of writing off accounts determined to be uncollectible.

Deferred payment plans are available for any residential customer who can demonstrate inability to pay a System bill in full and that service termination would be dangerous to such customer's health or safety.

System Budget and Expenditures

The Department Heads prepare draft budgets for System operations within their respective departments. The Town budget is compiled from these draft budgets and submitted to the Council on or before March 10th of each year. The budget is required by Charter to indicate operating expenditures and capital expenditures proposed for the ensuing fiscal year, detailed by office, department and agency in terms of their respective work programs, and the method of financing such expenditures. The total of proposed expenditures may not exceed the total estimated income. Prior to March 28th of each year, but following a public hearing, City Council is required to adopt the budget. Supplemental appropriations, or a reduction of appropriations, may be made by Council upon certification by the Mayor of an excess or insufficiency of revenues.

No payment may be made except in accordance with appropriations set forth in the budget. As a matter of practice, the Department Heads approve purchase orders and payments are approved by the Council prior to disbursement of funds. Separate accounting records are kept by the Water Department.

Method of Accounting

The Town maintains its accounts pertaining to the system on an accrual basis and in accordance with the guidelines of the West Virginia Public Service Commission. The records of the Town for the fiscal years ended June 30 of each of the past three years have been audited and are available for public inspection at the Town.

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Summary of Historical Revenues and Expenses

Summary Statement of Income and Expense
(Fiscal Year Ended June 30)

	Audited FY 2003	Audited* FY 2004	Audited FY 2004	Unaudited FY 2005	Unaudited FY 2006	Projected FY 2007
Operating Revenues	835,378	876,032	876,032	885,875	962,969	1,242,829
Interest / Other Income	19,715	63,574	11,710	13,206	16,640	11,710
Total Cash	855,093	939,606	887,742	899,081	979,609	1,254,539
Less: O & M Expenses	622,060	684,441	684,441	685,601	673,697	776,606
Cash Available for Debt Service	233,033	255,165	203,301	213,480	305,912	477,933
Debt Service Requirements	162,053	161,289	161,289	162,072	163,811	358,811
Remaining Cash	70,980	93,876	42,012	51,408	142,101	119,122
Debt Service Coverage	144%	158%	126%.	132%	187%	133%

* Includes non-operating income received due to Hurricane Isabel flooding event at Water Plant

** Calculated by the Town

Retirement System

The Town is a member of the Public Employees Retirement System of the State of West Virginia. The Town contributes 10.5% of covered employees' gross wages. Employee contributions are 4.5% of their wages.

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ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each fiscal year the amounts payable from Revenues as principal of and interest on the Series 2007 Bonds and the Prior Bonds.

SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE

The following is a summary of certain provisions of the Ordinance. The summary does not purport to be a comprehensive statement of the terms and provisions thereof, for which reference is made to the complete text of the Ordinance, copies of which may be obtained from the Underwriter.

Application of Series 2007 Bond Proceeds

The amount of the Series 2007 Bond proceeds representing interest accrued on the Series 2007 Bonds from the date thereof to the date of delivery to the Underwriter shall be deposited in the Series 2007 Bonds Sinking Fund established with the Bond Commission and used to pay interest on the Series 2007 Bonds next coming due.

An amount of the proceeds of the Series 2007 Bonds equal to the Series 2007 Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 2007 Bonds Reserve Account.

The balance of the proceeds of the Series 2007 Bonds shall be deposited with the Depository Bank in the Construction Trust Fund and shall be drawn out, used and applied by the Town solely to pay Costs of the Project at the written direction of the Town. Moneys in the Construction Trust Fund may be invested in accordance with the Ordinance; subject however, to applicable yield restrictions as may be in effect under the Code. After the payment of all Costs of the Project, the Town shall transfer all excess proceeds to the Series 2007 Bonds Sinking Fund. All bond 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 Series 2007 Bonds from which such proceeds are derived.

Application of System Revenues

The Gross Revenues derived from the operation of the System and all parts thereof are to be deposited in the Revenue Fund established with the Depository Bank.

System Revenues; Flow of Funds

The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited by the Issuer in the Revenue Fund. The Revenue Fund shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. All Revenues at any time remaining on deposit in the Revenue Fund shall be disposed of only in the following manner and order of priority:

(1) The Issuer shall first, from the monies in the Revenue Fund, on the first day of each month, simultaneously remit to the Commission (i) the amounts required by the Prior Ordinances to be deposited in the First Lien Bonds Sinking Funds for payment of interest on the First Lien Bonds; and (ii) beginning on the first day of that month which is 6 months prior to the first interest payment date on the Series 2007 A Bonds, apportion

and set apart out of the Revenue Fund and deposit in the Series 2007 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 2007 A Bonds on the next ensuing semiannual interest payment date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2007 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date, and provided further, that the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2007 A Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2007 A Bonds deposited therein, if any, and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2007 A Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2007 A Bonds Sinking Fund.

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) the amounts required by the Prior Ordinances to be deposited in the First Lien Bonds Sinking Funds for payment of principal on the First Lien Bonds; and (ii) for deposit in the Series 2007 A Bonds Sinking Fund (and in the Series 2007 A Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed) on the first day of each month, beginning on the first day of that month which is 12 months prior to the first principal payment or mandatory Redemption Date of the Series 2007 A Bonds, a sum equal to 1/12th of the amount (or 1/6th of the amount if the Series 2007 A Bonds mature semiannually rather than annually) of principal which will mature or be redeemed and become due on the Series 2007 A Bonds on the next ensuing principal payment or mandatory Redemption Date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2007 A Bonds Sinking Fund and the next ensuing principal payment or mandatory Redemption Date is less than or greater than 12 months (or 6 months if the Series 2007 A Bonds mature semiannually rather than annually), then such monthly payments shall be increased or decreased proportionately to provide, one month prior to the next ensuing principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2007 A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) the amounts required by the Prior Ordinances to be deposited in the First Lien Bonds Reserve Accounts for the First Lien Bonds; and (ii) commencing 13 months prior to the first date of payment of principal of the Series 2007 A Bonds or upon completion of construction of the Project, whichever is earlier, if not fully funded upon issuance of the Series 2007 A Bonds, for deposit in the Series 2007 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2007 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2007 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to

the Series 2007 A Bonds Reserve Requirement; provided further, that if the amounts in the Series 2007 A Bonds Reserve Account, as a result of a decrease in value of the Series 2007 A Bonds Reserve Account below the Series 2007 A Reserve Account Requirement or any withdrawal from the Series 2007 A Bonds Reserve Account, the Issuer shall apply such monies for deposit into the Series 2007 A Bonds Reserve Act, beginning with the first full calendar month following the date on which (i) the valuation of investments in the Series 2007 A Bonds Reserve Account results in a determination that the amount of monies and the value of the Qualified Investments deposited to the credit of the Series 2007 A Bonds Reserve Account is less than the Series 2007 A Reserve Account Requirement. Amounts in the Series 2007 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2007 A Bonds when due, when amounts in the Series 2007 A Bonds Sinking Fund are insufficient therefor and for no other purpose.

(4) The Issuer shall next, on the first day of each month, transfer from the monies remaining in the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund (as previously set forth in the Prior Ordinances and not in addition thereto), a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII of the Ordinance. Subject to the restrictions contained in the Prior Ordinances, so long as the Prior Bonds are outstanding, withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, or improvements or extensions to the System; provided, that any deficiency in any Reserve Account, except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof, shall be promptly eliminated with monies from the Renewal and Replacement Fund.

(5) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and pay to the Commission the amounts required by the Prior Ordinances to be deposited in the Second Lien Bonds Sinking Funds for payment of principal on the Second Lien Bonds.

(6) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and pay to the Commission the amounts required by the Prior Ordinances to be deposited in the Second Lien Bonds Reserve Accounts.

(7) Thereafter, the Issuer shall, each month, pay from the Revenue Fund current Operating Expenses of the System.

(8) Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove provided, are current and there remains in the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other

period as required by the Act, such excess shall be considered as surplus revenues (the "Surplus Revenues").

Surplus Revenues may be used for any lawful purpose of the System.

Investments

The Town shall invest and reinvest, and shall instruct the Bond Commission and the Depository Bank to invest and reinvest, any moneys held as a part of the funds and accounts created by this Ordinance in Qualified Investments, as defined in the Ordinance, 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 Town shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Town may make any and all investments permitted by this section through the bond department of the Depository Bank. The Depository Bank shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

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

(A) The Town shall, or shall cause the Bond Commission, at least annually to transfer from the Series 2007 Bonds Reserve Account and the Series 2007 Bonds Sinking Fund to the Town, any earnings on the moneys deposited therein and any other funds in excess of the Series 2007 Bonds Reserve Requirement; provided, however, that there shall at all times remain on deposit in the Series 2007 Bonds Reserve Account an amount at least equal to the Series 2007 Bonds Reserve Requirement.

(B) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, including accrued interest. If amounts on deposit in the Series 2007 Bonds Reserve Account shall, at any time, be less than the Series 2007 Bonds Reserve Requirement, the Bond Insurer, if any, shall be notified immediately of such deficiency and such deficiency shall be made up from the first available Net Revenues after required deposits to the Series 2007 Bonds Sinking Fund and other sinking funds and payment of operating expenses and otherwise in accordance with the Ordinance.

(C) All amounts representing accrued and capitalized interest shall be held by the Bond Commission and pledged solely to the payment of interest on the Series 2007 Bonds.

(D) Notwithstanding the foregoing, all moneys deposited in the Series 2007 Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia Investment Management Board pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended.

General Covenants

Enforcement of Collections. The Town has covenanted diligently to enforce and collect all fees, rates, 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, rates, rentals or other charges that become delinquent to the full extent permitted or authorized by State law. The Town will shut off and discontinue the supplying of water of the System for the nonpayment of the rates or charges for said water service.

Completion, Operation and Maintenance. The Town 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 the Ordinance.

Sale of the System. The System may be sold, mortgaged, leased or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to defease the pledge created by the Ordinance. The proceeds from such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Bond Commission for deposit in the Series 2007 Bonds Sinking Fund and the sinking funds for the Prior Bonds, and otherwise as prescribed by Article X of the Ordinance. Any balance remaining after such defeasance shall be remitted to the Town by the Bond Commission unless necessary for the payment of other obligations if the Town payable out of the Gross Revenues of the System.

The foregoing provision notwithstanding, the Town shall have and hereby reserve the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor is not in excess of $50,000, the Town shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Town may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Revenue Fund. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of $50,000 but not in excess of $200,000, the Town shall first, determine upon consultation with the Consulting Engineers, that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and may then, if it be so advised, by resolution duly adopted, approve and authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds of any such sale shall be deposited in the Depreciation Fund. Payment of such

proceeds into the Depreciation Fund shall not reduce the amounts required to be paid into said fund by other provisions of the Ordinance.

No sale, lease or other disposition of the properties of the System shall be made by the Town if the proceeds to be derived therefrom shall be in excess of $200,000 and insufficient to pay the Series 2007 Bonds and the Prior Bonds, without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of 60% in principal amount of Bonds then Outstanding. The Town shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. The Town shall not issue any other obligations whatsoever payable from the Gross Revenues of the System, which rank prior to, or equally, as to lien on and source of and security for payment from the Gross Revenues with, the Series 2007 Bonds, provided that additional bonds on parity with the Series 2007 Bonds may be issued as provided in the Ordinance. See "SECURITY FOR THE SERIES 2007 BONDS-Additional Parity Bonds." All obligations issued by the Town payable from the Gross Revenues of the System, except such additional parity bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from Gross Revenues and in all other respects, to the Series 2007 Bonds.

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, except with respect to pari passu additional bonds, being on parity with the lien of the Series 2007 Bonds and the interest thereon, upon any of the income and Revenues of the System pledged for payment of the Series 2007 Bonds and the interest thereon in the Ordinance, or upon the System or any part thereof.

Insurance and Bonds. The Town will carry, with a reputable insurance carrier or carriers, procure and maintain insurance and bonds and worker's compensation coverage with a reputable insurance carrier or carriers or bonding company or companies covering the following risks and in the following amounts:

A. FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In 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 damages or destroyed portion.

B. PUBLIC LIABILITY INSURANCE, with limits of not less than is customarily carried by municipalities of equivalent size with respect to works and properties similar to the System to protect the Town from claims for bodily injury and/or death and from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Town from claims arising out of operation or ownership of motor vehicles of or for the System.

C. WORKERS' COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT OR COMPLETION BONDS, such bonds to be in the amounts of not less than 100% of the amount of any construction contract and to be required of each contractor dealing directly with the Town and such payment bonds will be filed with the Clerk of the County Commission of the County in which such work is to be performed prior to commencement of construction of any additions, betterments or improvements to the System in compliance with West Virginia Code Section 38-2-39.

D. FLOOD INSURANCE, to extent available at reasonable cost to the Town.

E. BUSINESS INTERRUPTION INSURANCE, to the extent available at reasonable cost to the Town.

F. FIDELITY BONDS will be provided as to every officer and employee of the Town having custody of the Gross Revenues or of any other funds of the System, in an amount at least equal to the total funds in the custody of any such person at any one time.

The Town will carry such insurance and in such amounts as is customarily carried with respect to works and properties similar to the System, with a reputable insurance carrier or carriers, against loss or damage by fire, explosion, hurricane, earthquake, cyclone, occupancy or other hazards and risks. The Town will require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms determined to be adequate by the Town. The Town shall verify such insurance prior to commencement of construction. The Town will itself, or will require each contractor and subcontractor to, obtain and maintain builders' risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the construction project, such insurance to be payable to the order of the Town, the prime contractor and all subcontractors, as their interests may appear, during construction of the project in the full insurable value thereof. In time of war, the Town shall also carry in such amount such insurance as may be available against loss or damage by the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Depreciation Fund and used only for the repair and restoration of the damaged or destroyed properties or for the other purposes provided in the Ordinance for the Depreciation Fund. The Town will also carry liability insurance for damage or injury to persons or property in amounts adequate for such purposes and customarily carried with respect to works and properties similar to the System. The Town shall carry such other insurance as is deemed necessary by the Town, including but not limited to flood insurance and business interruption insurance, to the extent available at reasonable cost to the Town.

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

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 operation of the System.

No Competing Franchise. To the extent legally allowable, 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 whatsoever, for the providing of any services which would compete with services provided by the System.

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 registered owner of the Bonds 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 current generally accepted accounting principles to the extent allowable under and in accordance with the rules and regulations of the PSC and the Act. The Town shall maintain separate control accounting records. Subsidiary records as may be required shall be kept in the manner and on the forms, books and along with 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 Council shall be reported to such agent of the Town as the Council shall direct.

The Council shall file with the Consulting Engineers and the Underwriter, and shall mail in each year to any registered owner of the Bonds requesting the same, an annual report containing a statement of Revenues, operating expenses and Net Revenues derived from the System, and a balance sheet statement showing all deposits in the funds and accounts provided for in the Ordinance and the status of all said funds.

The Town shall also, at least once a year, cause the books, records and accounts of the System to be audited by independent certified public accountants (or if required by State law, by the State Tax Department) and shall mail upon request, and make available generally, the report of said independent certified public accountants (or State Tax Department), or a summary thereof, to any registered owner of the Bonds, and shall file said report with the Underwriter.

Restrictions as to Arbitrage Bonds. 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 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 Internal Revenue Code of 1986, as amended, and any

regulations thereunder, and an authorized officer of the Town shall deliver his certificate, based upon this covenant, with regard thereto to the Underwriter.

Operating Budget. The Council shall annually, at least forty-five (45) days preceding the beginning of each fiscal year, prepare and adopt by resolution a detailed budget of the estimated expenditures for operation and maintenance of the System during the succeeding fiscal year. No expenditures for the operation and maintenance of the System shall be made in any fiscal year in excess of the amounts provided therefor in such budget until the Council shall have approved such expenditure by a resolution duly adopted. The Town shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Underwriter and shall make available such budgets and resolutions to the Underwriter and to any registered owner of the Bonds or anyone acting for and in behalf of such registered owner who requests the same.

Amendment. No materially adverse modification or amendment to the Ordinance or any supplemental resolution may be made without the written consents of the registered owners of sixty percent in aggregate principal amount of the Series 2007 Bonds then outstanding, provided that no modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Series 2007 Bond without the express written consent of the registered owner thereof. No amendment or modification shall be made that would reduce the percentage of Series 2007 Bonds required for consent to any such amendment or modification. No amendment that adversely affects the security for the Series 2007 Bonds or the rights of the Insurer may be effected without the consent of the Insurer, such consent not to be unreasonably withheld.

Defeasance. If the Town shall pay or cause to be paid, or there shall otherwise be paid, to the registered owners of all Series 2007 Bonds the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Ordinance, then the respective pledges of the Gross Revenues and other moneys and securities pledged under the Ordinance, and all covenants, agreements and other obligations of the Town on behalf of the registered owners of the Series 2007 Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 2007 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 with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All Series 2007 Bonds shall, prior to the maturity thereof, be deemed to have been paid if there shall have been deposited with the Bond Commission or an escrow trustee 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 with the Bond Commission or an escrow trustee at the same or earlier time, shall be sufficient, to pay when due the principal of and interest due and to become due on the Series 2007 Bonds on and prior to the maturity dates thereof. Neither securities nor moneys so deposited with the Bond Commission or an escrow trustee 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 respective principal of and interest on the Series 2007 Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Bond Commission or said escrow trustee, 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 the Series 2007 Bonds on and prior to such maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Town as received by the Bond Commission or said escrow trustee, free and clear of any trust, lien or pledge. With respect to defeasance, the term securities includes only U.S. Treasury Certificates, Notes or Bonds (including U.S. Treasury Certificates, State and Local Government Series—"SLGS"), direct obligations of the U.S. Treasury that have stripped by the Treasury itself, CATS, TIGRS and similar securities and obligations issued by agencies and backed by the full faith and credit of the U.S.

Default and Remedies

Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2007 Bonds:

A. If default occurs in the due and punctual payment of the principal of or interest on the Series 2007 Bonds;

B. If default occurs in the Town's observance of any of the covenants, agreements or conditions on its part in the Ordinance or any supplemental resolution or in the Series 2007 Bonds, and such default shall have continued for a period of thirty (30) days after the Town shall have been given written notice of such default, requiring the same to be remedied, by the Bond Commission, the Depository Bank, The Registrar, the Paying Agent or any registered owner of the Bonds,

C. 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; or

D. If default occurs with respect to the Prior Bonds or the Prior Ordinances.

Remedies. Upon the happening and continuance of any Event of Default, any registered owner of the Bonds may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights, and, in particular (i) bring suit for any unpaid principal or interest then due; (ii) by mandamus or other appropriate proceedings enforce all rights of the registered owners of the Bonds, including the right to require the Town to perform its duties under the Act and the Ordinance; (iii) bring suit upon the Bonds; (iv) by action at law or bill in equity require the Town to account as if it were the trustee of an express trust for the registered owners of the Bonds; and (v) by action or bill in equity enjoin any acts in violation of the Ordinance or the rights of the registered owners of the Bonds, provided that all rights and remedies of the Holders of the Series 2007 Bonds shall be on parity with the Holders of the First Lien Bonds and senior and prior to the Second Lien Bonds.

Appointment of Receiver. If there be any Event of Default existing and continuing, any registered owner of the Bonds shall, in addition to all other remedies or rights, have the right by

appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Town, with power to charge rates, fees and other charges sufficient to provide for the payment of operating expenses of the System, the payment of the Bonds and the deposits into the funds and accounts established with respect to the Bonds and to apply such rates, fees, charges or other Gross Revenues in conformity with the provisions of the 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 the System and shall hold, operate, maintain, manage and control such facilities and in the name of the Town exercise all the rights and powers of the Town with respect to said facilities as the Town itself might do.

Whenever all that is due upon the Bonds and interest thereon and under any covenants of the Ordinance for reserve, sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Gross Revenues of the System shall have been paid and made good, and all defaults under the provisions of the 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 default, any registered owner of the Bonds shall have the same right to secure the further appointment of a receiver.

Such receiver, in the performance of the powers conferred upon him, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the order and decrees of such court and may be removed thereby, and a successor receiver may be appointed in the discretion of such court. Nothing contained in the Ordinance 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 in the Ordinance.

Any receiver appointed as provided in the Ordinance shall hold and operate the System in the name of the Town and for the joint protection and benefit of the Town and registered owners of the Bonds. Such receiver shall have no power to sell, assign, mortgage, or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System for the sole purpose of the protection of both the Town and registered owners of the Bonds, and the curing and making good of any default under the provisions of the Ordinance, and the title to and ownership of the 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.

TAX MATTERS

In the opinion of Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel, under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, interest on the Series 2007 Bonds is excludable from gross income of the holders thereof for federal income tax purposes and will not be treated as a preference item for purposes of the federal alternative minimum tax imposed on individuals and

corporations. It should be noted, however, that for purposes of computing the alternative minimum tax on corporations, such interest is taken into account in determining adjusted current earnings.

The Town has designated the Series 2007 Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code. In the opinion of Bond Counsel, the Series 2007 Bonds are "qualified tax-exempt obligations" and the provisions of the Code which disallow all deductibility of interest expense incurred by financial institutions on debt incurred or continued to carry most tax-exempt obligations does not apply to the Series 2007 Bonds; accordingly, 80% of the interest expense of a financial institution incurred for the purpose of purchasing or carrying the Series 2007 Bonds is deductible for federal income tax purposes.

The Code imposes certain requirements as a condition to exclusion from gross income of the interest on the Series 2007 Bonds for federal income tax purposes, including a requirement that the Town rebate to the United States Treasury certain arbitrage earnings. The Town will covenant or certify that it will comply with all applicable requirements of the Code. Failure of the Town to comply with such requirements could result in interest on the Series 2007 Bonds being included in gross income for federal income tax purposes from the date of issue.

Ownership of the Series 2007 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, property and casualty insurance companies, S corporations with "excess net passive income," individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2007 Bonds.

Bond Counsel is further of the opinion that under the laws of the State of West Virginia, as presently written and applied, the Series 2007 Bonds and the interest thereon are exempt from direct taxation by the State of West Virginia or any county, municipality, political subdivision, or agency thereof.

APPROVAL OF LEGALITY

Legal matters incident to the authorization, sale and issuance of the Series 2007 Bonds are subject to the unqualified approving opinion of Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel. Jack H. Walters, Moorefield, West Virginia, Counsel for the Town, will pass upon certain legal matters for the Town. Goodwin & Goodwin, LLP, Charleston, West Virginia, as Counsel to the Underwriter, will pass upon certain legal matters for the Underwriter.

ABSENCE OF MATERIAL LITIGATION

There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body, now pending or, to the best knowledge of the Town, threatened or affecting the Town (or, to the Town's knowledge, any basis therefor) wherein an unfavorable decision, ruling or finding would have a material adverse effect on the Town's financial position or on the validity of the Series 2007 Bonds, the Ordinance or any agreement to which the Town is a party and which is a part of the issuance of the Series 2007 Bonds.

NEGOTIABLE INSTRUMENTS

Pursuant to State law, the Series 2007 Bonds are and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia. See "THE SERIES 2007 BONDS - General."

UNDERWRITING

The Series 2007 Bonds are being purchased by the Underwriter named on the cover of this Official Statement. The Purchase Contract provides that the Underwriter will purchase all the Series 2007 Bonds, if any are purchased, at a purchase price equal to the initial public offering prices set forth on the cover page hereof less an Underwriter's discount of $_____ plus accrued interest. The obligation to make such purchase is subject to the terms and conditions set forth in the Purchase Contract, including the approval of certain legal matters by counsel. The Underwriter may change the initial public offering prices from time to time. The Underwriter may offer and sell Series 2007 Bonds to certain dealers (including dealers depositing Series 2007 Bonds into investment trusts) and certain dealer banks acting as agents at prices lower than the public offering prices stated on the cover page hereof.

FINANCIAL STATEMENTS

Included herein as Appendix B are the general purpose financial statements and the combined and individual fund and account group financial statements of the Town (which include the System) as of and for the twelve-month period ended June 30, 2004, and the report with respect to the audited financial statements as of and for the twelve-month period ended June 30, 2004, dated September 9, 2005, of the West Virginia State Auditor.

CONTINUING DISCLOSURE

The Town has agreed in the Ordinance to execute and deliver contemporaneously with the issuance of the Series 2007 Bonds a certificate or agreement to undertake for the benefit of the Registered Owners of the Series 2007 Bonds to provide certain financial and operating information of the System (the "Annual Information") not later than one hundred fifty (150) days following the end of the Town's fiscal year, commencing in 2007, and to provide the Annual Information to each National Recognized Municipal Securities Information Repository ("National Repository") and any State Information Depository ("State Depository") and to provide notice of the occurrence of the enumerated events to each National Repository or the Municipal Securities Rulemaking Board ("MSRB") and to any State Depository.

This continuing disclosure obligation is being undertaken by the Town to assist the Underwriter in complying with Rule 15c2-12 promulgated by the SEC. The Town has agreed to give notice in a timely manner to each National Repository, or the MSRB, and to each State Depository of any failure to supply the requested information. However, any such failure will not constitute a default under the terms of the Series 2007 Bonds. Registered Owners may contact the Recorder of the Town of Moorefield at 206 Winchester Avenue, Moorefield, West Virginia 26836 for more information.

MISCELLANEOUS

The foregoing summaries, explanations and quotations do not purport to be complete and are expressly made subject to the exact provisions of the complete documents. Purchasers are referred to the Act and the Ordinance for full and complete statements of their provisions.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representation of fact. This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or owners of any of the Series 2007 Bonds. The Town has authorized the execution and distribution of this Official Statement.

TOWN OF MOOREFIELD, WEST VIRGINIA

By: _____
Mayor

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APPENDIX A

GENERAL INFORMATION REGARDING HARDY COUNTY (WEST VIRGINIA)

Hardy County was created from Hampshire County in 1786, and named for Samuel Hardy, who was a well-known Virginian. Lost River State Park and part of the George Washington National Forest are in the eastern section of the County.

The County Seat of Hardy County is Moorefield. Moorefield was chartered in 1777 and named for Conrad Moore, who owned the land upon which the town was formed. It is a Class III city with a population of 2,408.

Hardy County has five magisterial districts which are Capon, Lost River, Moorefield, South Fork and Old Fields.

Population

People – Quick Facts	*Hardy County*	*West Virginia*
Population, 2005	13,287	1,816,856
Population, % change April 2000-July 2005	4.9%	0.5%
Population, 2000	12,669	1,808,344
Population, % change, 1990-2000	15.4%	0.8%
Persons under 5 years old, %, 2004	5.4%	5.6%
Persons under 18 years old, %, 2004	22.3%	21.2%
Persons 65 years old and over, %, 2004	15.0%	15.3%
Female persons, %, 2004	50.1%	51.1%
White persons, %, 2004	97.6%	95.2%
Black persons, %, 2004	1.8%	3.2%
American Indian & Alaska Native, %, 2004	0.1%	0.2%
Asian persons, %, 2004(a)	0.1%	0.6%
Native Hawaiian & Other Pacific Islanders, %, 2004	0.0%	0.0%
Persons reporting 2 or more races, %, 2004	0.4%	0.8%
Persons of Hispanic or Latino origin, %, 2004	1.0%	0.8%
White persons, not Hispanic, % 2004	96.7%	94.4%

Source: US Census

Labor Force

	2001	2002	2003	2004	2005
Civilian Labor Force	6,780	6,960	7,000	6,880	7,060
Employment	6,530	6,670	6,690	6,600	6,800
Unemployment	260	290	310	280	260
Unemployment Rate	3.8	4.1	4.4	4.0	3.7

Source: Bureau of Employment Programs

Top Ten Employers – Hardy County
March 2006

1. Pilgrim's Pride Corporation of West Virginia
2. American Woodmark Corporation
3. Hardy County Board of Education
4. Wal-Mart Associates, Inc.
5. CPBEC, Inc.
6. South Branch Inn, Inc.
7. Summit Financial Group, Inc.
8. Eastern West Virginia Community & Technical College
9. E.A. Hawse Continuous Care Center
10. Carmir, Inc.

Source: Bureau of Employment Programs

Income

Total Personal Income (2004)	$296,723,000
Per Capita Personal Income (2004)	$22,551

Household Income (2000)	Number	Percentage
Less than $10,000	741	6%
$10,000 to $14,999	434	3%
$15,000 to $24,999	803	6%
$25,000 to $34,999	867	7%
$35,000 to $49,999	1,025	8%
$50,000 to $74,999	862	7%
$75,000 to $99,999	269	2%
$100,000 to $149,000	153	1%
$150,000 or more	54	0%

Source: Bureau of Employment Programs

WV Bureau of Economics Facts 1994-2004

Per Capita Personal Income

In 2004 Hardy County had a per capita personal income (PCPI) of $22,551. This PCPI ranked 28th in the state and was 87% of the state average ($25,792), and 68% of the national average ($33,050). The 2004 PCPI reflected an increase of 5.4% from 2003. The 2003-2004 state change was 5.2% and the national change was 5.0%. In 1994 the PCPI of Hardy County was $16,583 and ranked 18th in the state. The 1994-2004 average annual growth rate of PCPI was 3.1 %. The average annual growth rate for the state was 4.1% and for the nation it was 4.1 %.

Total Personal Income

In 2004 Hardy County had a total personal income (TPI) of $296,723,000. The TPI ranked 38th in the state and accounted for 0.6% of the state total. In 1994 the TPI of Hardy County was $193,460,000 and ranked 39th in the state. The 2004 TPI reflected an increase of 6.2% from 2003. The 2003-2004 state change was 5.3% and the national change was 6.0%. The 1994-2004 average annual growth rate of TPI was 4.4 %. The average annual growth rate for the state was 4.1% and for the nation was 5.2%.

Components of Total Personal Income

Total personal income includes net earnings by place of residence; dividends, interest, and rent; and personal current transfer receipts received by the residents of Hardy. In 2004 net earnings accounted for 67.0 percent of TPI (compared with 67.9 in 1994); dividends, interest, and rent were 11.8 percent (compared with 15.7 in 1994); and personal current transfer receipts were 21.2 percent (compared with 16.4 in 1994). From 2003 to 2004 net earnings increased 7.4 percent; dividends, interest, and rent increased 0.8 percent; and personal current transfer receipts increased 5.6 percent. From 1994 to 2004 net earnings increased on average 4.2 percent each year; dividends, interest, and rent increased on average 1.4 percent; and personal current transfer receipts increased on average 7.1 percent.

Earnings by Place of Work

Earnings of persons employed in Hardy increased from $222,076,000 in 2003 to $242,193,000 in 2004, an increase of 9.1 percent. The 2003-2004 state change was 6.3 percent and the national change was 6.3 percent. The average annual growth rate from the 1994 estimate of $142,639 to the 2004 estimate was 5.4 percent. The average annual growth rate for the state was 3.8 percent and for the nation was 5.5 percent.

Source: Bureau of Economic Analysis

Housing

Single-family new house construction permits:

Year	# of Buildings	Average Cost
2000	102	$59,600
2001	98	$53,400
2002	115	$69,800
2003	118	$86,300
2004	117	$136,800

Average household size in Hardy County	2.42
Median household income in 2000	$31,846
Median house value in 2000	$74,700
Median monthly rent in 2000	$375
Median monthly costs for houses with a mortgage in 2000	$639

Fair market rent in 2006 for a 1-bedroom apartment in Hardy County is $465 a month.

Fair market rent for a 2-bedroom apartment in $522 a month and for a 3-bedroom apartment is $684 a month.

Housing units in structures:

- One, detached: 5,159
- One, attached: 99
- Two: 42
- 3 or 4: 86
- 5 to 9: 65
- 10 to 19: 47
- 20 or more: 8
- Mobile homes: 1,537

Education

There are five public schools located in Hardy County. They include East Hardy Early/Middle School, East Hardy High School, Moorefield Elementary School, Moorefield High School and Moorefield Middle School.

Current college students: 345

People 25 years old or older with high school degree or higher: 70.3%

People 25 years old or older with bachelor's degree or higher: 9.4%

Source: Hardy County Board of Education

Natural Forests

The Monongahela National Forest cover an extensive area of the State and includes many interesting sights as follows: Seneca Rocks, Spruce Knob, Smoke Hole Caverns, Otter Creek, Laurel Fork, Cranberry Wilderness, Cranberry Glades, Cranberry Mountain Nature Center, Seneca Shadows Campground, Stuart Recreation Area, Gaudineer Scenic Area, Lake Sherwood Recreation Area, Highland Scenic Highway, Spruce Knob Lake Recreation Complex, Lake Buffalo Impoundment, and Summit Lake Recreation Complex.

George Washington National Forest extends into West Virginia with the majority of acreage located in Virginia. Approximately 104,866 acres of the Forest are present in the state. The forest extends into Hanipshire, Hardy, and Pendleton counties of West Virginia.

Public Recreation Areas

Potomac River is formed from the junction of the North and South Branches near Green Spring, Hampshire County; the mouth of the river flows into the Chesapeake Bay.

North Branch of the Potomac River has its source near Fairfax Stone, which marks the corners of Preston, and Tucker Counties; the mouth junctions with the South Branch of the Potomac near Green Spring, Hampshire County.

South Branch of the Potomac River has its source located near Hightown, Highland County, Virginia; the mouth is formed in junction with the North Branch of the Potomac River near Green Spring, Hampshire County.

Crime – 2004

- Murders: 0
- Rapes: 0
- Robberies: 0
- Assaults: 6
- Burglaries: 8
- Thefts: 4
- Auto thefts: 1

Source: www.city-data.com

Climate

Temperature (Degree F) Mean Annual Average:		51
January Averages:	Low: 19	High: 40
July Averages:	Low: 58	High: 84

Source: Bureau of Employment Programs

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APPENDIX B

FINANCIAL STATEMENTS

AUDIT REPORT OF
MOOREFIELD, WEST VIRGINIA
A CLASS III MUNICIPALITY IN HARDY COUNTY
For the Fiscal Year Ended June 30, 2004

AUDIT REPORT OF
MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

This audit has been conducted pursuant to the authority and duty of the State Auditor as Chief Inspector and Supervisor of Public Offices to conduct an annual inspection of all political subdivisions of the State of West Virginia and any agency created by these subdivisions. This power is granted by West Virginia Code §6-9-1 et seq.

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
SCHEDULE OF FUNDS INCLUDED IN REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

GOVERNMENTAL FUND TYPES

MAJOR FUNDS

General
Coal Severance Tax

ENTERPRISE FUND TYPE

MAJOR FUNDS

Water
Sewerage
Park

NONMAJOR FUNDS

Special Revenue Funds

Special Levy Streets
Special Levy Parks
Sidewalk Construction
Southfork Watershed
Police Drug Seizure
Park Paving
Pool Renovation
"Fema"

Capital Projects Funds

Flood Levy
Innskeep Hall Renovation
North Moorefield Drainage

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
TABLE OF CONTENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Page
INTRODUCTORY SECTION	
Municipal Officials	1
Financial Section	
Independent Auditor's Report	2-3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	4-5
Statement of Activities	6
Fund Financial Statements:	
Balance Sheet-Governmental Funds	7
Reconciliation of Balance Sheet-Governmental Funds to the Statement of Net Assets	8
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	9-10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	12
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Coal Severance Tax Fund	13
Statement of Net Assets - Proprietary Funds	14-15
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	16
Statement of Cash Flows - Proprietary Funds	17-18
Notes to the Financial Statements	19-34
Accompanying Information	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	35-36
Schedule of Findings and Responses	37-38

INTRODUCTORY SECTION

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
MUNICIPAL OFFICIALS
For the Fiscal Year Ended June 30, 2004

OFFICE	NAME	TERM
	Elective	
Mayor:	Larry P. Snyder	07-01-01 / 06-30-05
Recorder:	Phyllis Sherman	07-01-03 / 06-30-07
Council Members:	Beverly Baker	07-01-01 / 06-30-05
	Marshall F. Combs	07-01-03 / 06-30-07
	Carlton Hilliard	07-01-03 / 06-30-07
	Larry D.Kuykendall	07-01-03 / 06-30-07
	Steven L. Wilson	07-01-01 / 06-30-05
	Appointive	
Treasurer:	Phyllis Sherman	
Municipal Attorney:	Walters, Krauskopf and Baker	

FINANCIAL SECTION

State of West Virginia
Office of the State Auditor
1900 Kanawha Boulevard, East
State Capitol Complex, Building 1, Room W-100
Charleston, West Virginia 25305

en B. Gainer III
State Auditor

Telephone: (304) 558-2251
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council
Municipality of Moorefield
Moorefield, West Virginia 26836

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Moorefield, West Virginia (the Municipality), as of and for the year ended June 30, 2004, which collectively comprise the Municipality's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the entity's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Moorefield, West Virginia, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and Coal Severance Tax Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2005 on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Municipality has not presented the management's discussion and analysis that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Respectfully submitted,

Glen B. Gainer III
West Virginia State Auditor

September 9, 2005

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
STATEMENT OF NET ASSETS
June 30, 2004

	Total Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 498,869	$ 167,643	$ 666,512
Investments	415,597	384,170	799,767
Receivables:			
Accounts	--	160,817	160,817
Taxes	11,034	--	11,034
Inventory, at cost	--	27,469	27,469
Restricted assets:			
Regular account	--	108,301	108,301
Reserve account	--	209,102	209,102
Renewal and replacement	--	185	185
Reserve for construction	--	344,254	344,254
Capital assets:			
Land	22,455,088	169,617	22,624,705
Buildings	4,543,845	44,971	4,588,816
Structures and improvements	--	2,916,204	2,916,204
Vehicles	99,019	--	99,019
Transmission and distribution	--	1,692,314	1,692,314
Machinery and equipment	177,059	10,055,731	10,232,790
Construction in progress	--	90,056	90,056
Less: accumulated depreciation	(363,578)	(3,674,725)	(4,038,303)
Other debits:			
Preliminary survey costs	--	4,134	4,134
Unamortized bond discount	--	21,659	21,659
Total assets	$ 27,836,933	$ 12,721,902	$ 40,558,835

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
STATEMENT OF NET ASSETS
June 30, 2004

	Total Government		
	Governmental Activities	Business-type Activities	Total
Current liabilities payable from current assets:			
Accounts payable	$ 15,251	$ 41,028	$ 56,279
Leases payable	3,835	10,886	14,721
Compensated absences payable	--	29,589	29,589
Current liabilities payable from restricted assets:			
Bonds payable	--	119,357	119,357
Noncurrent liabilities:			
Bonds payable	--	3,202,035	3,202,035
Notes payable	--	71,294	71,294
Compensated absences payable	44,858	--	44,858
Total liabilities	63,944	3,474,189	3,538,133
NET ASSETS			
Invested in capital assets (net of related debt)	26,907,598	7,890,596	34,798,194
Restricted for:			
Debt service	--	661,842	661,842
Unrestricted	865,391	695,275	1,560,666
Total net assets	27,772,989	9,247,713	37,020,702
Total liabilities and net assets	$ 27,836,933	$ 12,721,902	$ 40,558,835

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2004

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets: Total Government: Governmental Activities	Net (Expense) Revenues and Changes in Net Assets: Total Government: Business-type Activities	Net (Expense) Revenues and Changes in Net Assets: Total Government: Total
Governmental activities:							
General government	$ 227,470	$ 87	$ --	$ --	$ (227,383)	$ --	$ (227,383)
Public safety	305,674	23,492	--	--	(282,182)	--	(282,182)
Streets and transportation	258,232	--	--	--	(258,232)	--	(258,232)
Health and sanitation	1,500	--	--	--	(1,500)	--	(1,500)
Culture and recreation	101,608	--	--	--	(101,608)	--	(101,608)
Social services	6,008	--	--	--	(6,008)	--	(6,008)
Capital projects	45,261	--	--	--	(45,261)	--	(45,261)
Total governmental activities	945,753	23,579	--	--	(922,174)	--	(922,174)
Business type activities:							
Water Fund	605,821	552,760	1,589	--	--	(51,472)	(51,472)
Sewerage Fund	929,150	926,336	1,560	--	--	(1,254)	(1,254)
Park Fund	107,522	27,844	--	13,200	--	(66,478)	(66,478)
Total business type activities	1,642,493	1,506,940	3,149	13,200	--	(119,204)	(119,204)
Total government	$ 2,588,246	$ 1,530,519	$ 3,149	$ 13,200	(922,174)	(119,204)	(1,041,378)
General revenues:							
Ad valorem property taxes					548,373	--	548,373
Business & occupation tax					--	--	--
Alcoholic beverages tax					31,939	--	31,939
Utility services tax					178,581	--	178,581
Hotel occupancy tax					28,807	--	28,807
Animal tax					1,166	--	1,166
Gas and oil severance tax					747	--	747
Other taxes					1,318	--	1,318
Coal severance tax					4,974	--	4,974
Licenses and permits					16,528	--	16,528
Intergovernmental:					--	--	--
State					17,510	--	17,510
Unrestricted investment earnings					10,343	22,063	32,406
Refunds					1,645	--	1,645
Reimbursement					5,570	--	5,570
Contributions from other entities					14,280	--	14,280
Miscellaneous					63,699	--	63,699
Transfers					(48,500)	48,500	--
Total general revenues and transfers					876,980	70,563	947,543
Change in net assets					(45,194)	(48,641)	(93,835)
Net assets - beginning					27,818,183	9,297,943	37,116,126
Net assets - ending					$ 27,772,989	$ 9,249,302	$ 37,022,291

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2004

	General	Coal Severance Tax	Other nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Current:				
Cash and cash equivalents	$ 227,184	$ 1,825	$ 269,860	$ 498,869
Investments	--	--	415,597	415,597
Receivables:				
Taxes	7,356	--	3,678	11,034
Total assets	$ 234,540	$ 1,825	$ 689,135	$ 925,500
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	14,565	686	--	15,251
Leases payable	3,835	--	--	3,835
Deferred revenues:				
Taxes	7,356	--	3,678	11,034
Total liabilities	25,756	686	3,678	30,120
Fund balances:				
Unreserved, reported in:				
General fund	208,784	--	--	208,784
Special revenue funds	--	1,139	390,176	391,315
Capital projects funds	--	--	295,281	295,281
Total fund balances	208,784	1,139	685,457	895,380
Total liabilities and fund balances	$ 234,540	$ 1,825	$ 689,135	$ 925,500

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
RECONCILIATION OF BALANCE SHEET -GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2004

Total fund balances on the governmental fund's balance sheet	$	895,380
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore not reported in the funds.		27,275,011
Accumulated depreciation assessed in governmental activities are not reported in the funds.		(363,578)
General property tax revenues are not available to fund current year expenditures and therefore are deferred in the funds.		11,034
Compensated absences are not due and payable in the current period and therefore are not reported in the funds		(44,858)
Net assets of governmental activities	$	27,772,989

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2004

	General	Coal Severance Tax	Other nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Ad valorem property taxes	$ 355,743	$ --	$ 181,596	$ 537,339
Alcoholic beverages tax	31,939	--	--	31,939
Utility services tax	178,581	--	--	178,581
Hotel occupancy tax	28,807	--	--	28,807
Animal tax	1,166	--	--	1,166
Gas and oil severance tax	747	--	--	747
Other taxes	1,318	--	--	1,318
Coal severance tax	--	4,974	--	4,974
Licenses and permits	16,528	--	--	16,528
Intergovernmental:				
State	--	--	17,510	17,510
Charges for services	87	--	--	87
Fines and forfeits	23,492	--	--	23,492
Interest and investment earnings	1,170	--	9,173	10,343
Refunds	--	--	1,645	1,645
Reimbursements	1,150	--	4,420	5,570
Contributions and donations	14,280	--	--	14,280
Miscellaneous	63,699	--	--	63,699
Total revenues	718,707	4,974	214,344	938,025
EXPENDITURES				
Current:				
General government	174,629	--	--	174,629
Public safety	299,242	--	--	299,242
Streets and transportation	192,832	8,417	60,085	261,334
Health and sanitation	1,500	--	--	1,500
Culture and recreation	49,577	--	47,742	97,319
Social services	6,008	--	--	6,008
Capital projects	--	--	45,261	45,261
Total expenditures	723,788	8,417	153,088	885,293
Excess (deficiency) of revenues over (under) expenditures	(5,081)	(3,443)	61,256	52,732

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2004

	General	Coal Severance Tax	Other nonmajor Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)				
Transfers in	$ --	$ --	$ 1,000	$ 1,000
Transfers (out)	(1,000)	--	(48,500)	(49,500)
Total other financing sources (uses)	(1,000)	--	(47,500)	(48,500)
Net change in fund balances	(6,081)	(3,443)	13,756	4,232
Fund balances - beginning	214,865	4,582	671,701	891,148
Fund balances - ending	$ 208,784	$ 1,139	$ 685,457	$ 895,380

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2004

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	$	4,232
Capital outlays are reported as an expenditure in the governmental funds but are considered an asset at the government-wide level. This is the amount of capital assets that were purchased during the fiscal year.		44,269
Capital outlays are reported as an expenditure in the governmental funds. In the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense charged during the year.		(59,871)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		11,034
Some expenses reported in the statement of activities related to compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds (Note II.B).		(44,858)
Change in net assets of governmental activities	$	(45,194)

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual Modified Accrual Basis	Adjustments Budget Basis	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
REVENUES						
Taxes:						
Ad valorem property taxes	$ 349,109	349,109	$ 355,743	$ --	$ 355,743	$ 6,634
Alcoholic beverages tax	20,000	20,000	31,939	--	31,939	11,939
Utility services tax	162,500	162,500	178,581	26,900	205,481	42,981
Hotel occupancy tax	3,200	3,200	28,807	--	28,807	25,607
Animal tax	700	700	1,166	--	1,166	466
Gas and oil severance tax	900	900	747	--	747	(153)
Other taxes	--	--	1,318	--	1,318	1,318
Licenses and permits	12,997	12,997	16,528	--	16,528	3,531
Charges for services	1,300	1,300	87	--	87	(1,213)
Fines and forfeits	13,150	13,150	23,492	--	23,492	10,342
Interest and investment earnings	3,700	3,700	1,170	--	1,170	(2,530)
Refunds	28,560	28,560	--	--	--	(28,560)
Reimbursements	--	--	1,150	--	1,150	1,150
Contributions and donations	--	--	14,280	--	14,280	14,280
Miscellaneous	10,000	10,000	63,699	--	63,699	53,699
Total revenues	606,116	606,116	718,707	26,900	745,607	139,491
EXPENDITURES						
Current:						
General government	172,038	217,638	174,629	(9,312)	165,317	52,321
Public safety	308,839	342,039	299,242	--	299,242	42,797
Streets and transportation	190,401	204,671	192,832	--	192,832	11,839
Health and sanitation	1,500	1,500	1,500	--	1,500	--
Culture and recreation	49,838	49,838	49,577	--	49,577	261
Social services	13,500	13,500	6,008	--	6,008	7,492
Total expenditures	736,116	829,186	723,788	(9,312)	714,476	114,710
Excess (deficiency) of revenues over (under) expenditures	(130,000)	(223,070)	(5,081)	36,212	31,131	254,201
OTHER FINANCING SOURCES (USES)						
Transfers (out)	--	--	(1,000)	--	(1,000)	(1,000)
Total other financing sources (uses)	--	--	(1,000)	--	(1,000)	(1,000)
Net change in fund balances	(130,000)	(223,070)	(6,081)	36,212	30,131	253,201
Fund balances - beginning	130,000	223,070	214,865	(17,812)	197,053	(26,017)
Fund balances - ending	$ --	$ --	$ 208,784	$ 18,400	$ 227,184	$ 227,184

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - COAL SEVERANCE TAX FUND
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual Modified Accrual Basis	Adjustments Budget Basis	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
REVENUES						
Taxes:						
Coal severance tax	$ 4,500	$ 4,500	$ 4,974	$ --	$ 4,974	$ 474
Total revenues	4,500	4,500	4,974	--	4,974	474
EXPENDITURES						
Current:						
Streets and transportation	4,700	9,082	8,417	1,713	10,130	(1,048)
Total expenditures	4,700	9,082	8,417	1,713	10,130	(1,048)
Excess (deficiency) of revenues over (under) expenditures	(200)	(4,582)	(3,443)	(1,713)	(5,156)	(574)
Fund balances - beginning	200	4,582	4,582	2,399	6,981	2,399
Fund balances - ending	$ --	$ --	$ 1,139	$ 686	$ 1,825	$ 1,825

The notes to the financial statements are an integral part of this statement

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2004

	Business-type Activities - Enterprise Funds			
	Sewer Fund	Water Fund	Park Fund	Totals
ASSETS				
Current:				
Cash and cash equivalents	$ 28,685	$ 120,640	$ 18,318	$ 167,643
Investments	--	360,541	23,629	384,170
Receivables:				
Accounts	77,250	83,567	--	160,817
Due from:				
Other funds	680	--	--	680
Inventory, at cost	11,365	16,104	--	27,469
Total current assets	117,980	580,852	41,947	740,779
Restricted:				
Regular account	25,819	82,482	--	108,301
Reserve account	44,133	164,969	--	209,102
Renewal and replacement	185	--	--	185
Reserve for construction	344,254	--	--	344,254
Total restricted assets	414,391	247,451	--	661,842
Capital assets:				
Land	10,054	110,459	49,104	169,617
Buildings	--	--	44,971	44,971
Structures and improvements	676,418	2,239,786	--	2,916,204
Transmission and distribution	--	1,692,314	--	1,692,314
Machinery and equipment	6,194,112	3,512,239	349,380	10,055,731
Construction in progress	90,056	--	--	90,056
Less: accumulated depreciation	(2,101,269)	(1,371,450)	(202,006)	(3,674,725)
Total capital assets (net of accumulated depreciation)	4,869,371	6,183,348	241,449	11,294,168
Other debits:				
Preliminary survey costs	4,134	--	--	4,134
Unamortized bond discount	13,066	8,593	--	21,659
Total other debits	17,200	8,593	--	25,793
Total assets	$ 5,418,942	$ 7,020,244	$ 283,396	$ 12,722,582

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2004

	Business-type Activities - Enterprise Funds			
	Sewer Fund	Water Fund	Park Fund	Totals
LIABILITIES				
Current liabilities payable from current assets:				
Accounts payable	$ 21,402	$ 14,452	$ 5,174	$ 41,028
Leases payable	9,331	1,555	--	10,886
Compensated absences payable	11,046	18,543	--	29,589
Due to:				
Other funds	--	680	--	680
Total current liabilities payable from current assets	41,779	35,230	5,174	82,183
Current liabilities payable from restricted assets:				
Revenue bonds payable	93,904	25,453	--	119,357
Total current liabilities payable from restricted assets	93,904	25,453	--	119,357
Bonds payable (Net of current portion and unamortized issuance costs)	1,389,610	1,812,425	--	3,202,035
Notes payable	71,294	--	--	71,294
Total noncurrent liabilities	1,460,904	1,812,425	--	3,273,329
Total liabilities	1,596,587	1,873,108	5,174	3,474,869
NET ASSETS				
Invested in capital assets (net of related debt)	3,305,232	4,343,915	241,449	7,890,596
Restricted for debt service	414,391	247,451	--	661,842
Unrestricted	102,732	555,770	36,773	695,275
Total net assets	3,822,355	5,147,136	278,222	9,247,713
Total liabilities and net assets	$ 5,418,942	$ 7,020,244	$ 283,396	$ 12,722,582

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2004

	Business-type Activities - Enterprise Funds			
	Sewer Fund	Water Fund	Park Fund	Totals
Operating revenues:				
Sales and services to customers	$ 518,235	$ 870,713	$ 27,844	$ 1,416,792
Discount and penalties	8,449	3,760	--	12,209
Miscellaneous	26,076	51,863	--	77,939
Total revenues	552,760	926,336	27,844	1,506,940
Operating expenses:				
Personal services	233,634	340,870	18,333	592,837
Contractual services	39,336	4,511	256	44,103
Administrative and general	23,602	69,479	9,203	102,284
Miscellaneous	3,558	--	--	3,558
Materials and supplies	36,030	108,522	26,584	171,136
Utilities	22,891	115,672	14,720	153,283
Depreciation	143,641	106,830	19,717	270,188
Maintenance	65,015	45,085	18,709	128,809
Amortization	6,929	302	--	7,231
Total operating expenses	574,636	791,271	107,522	1,473,429
Operating income (loss)	(21,876)	135,065	(79,678)	33,511
Nonoperating revenues (expenses):				
Interest revenue	9,388	11,710	965	22,063
Interest and fiscal charges	(32,774)	(137,879)	--	(170,653)
Operating grants	1,589	1,560	--	3,149
Total nonoperating revenues (expenses)	(20,208)	(124,609)	965	(143,852)
Income (loss) before operating transfers and contributions	(42,084)	10,456	(78,713)	(110,341)
Capital contributions	--	--	13,200	13,200
Transfers in	--	--	48,500	48,500
Change in net assets	(42,084)	10,456	(17,013)	(48,641)
Net assets at beginning of year	3,866,028	5,136,680	295,235	9,297,943
Net assets at end of year	$ 3,823,944	$ 5,147,136	$ 278,222	$ 9,249,302

The notes to the financial statements are an integral part of this statement

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
STATEMENT OF CASH FLOWS- PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2004

	Business-type Activities - Enterprise Funds			
	Sewer Fund	Water Fund	Park Fund	Totals
Cash flows from operating activities:				
Cash received from customers	$ 550,099	$ 917,140	$ 27,844	$ 1,495,083
Cash paid for goods and services	(195,967)	(345,968)	(70,466)	(612,401)
Cash paid to employees	(233,856)	(340,617)	(18,333)	(592,806)
Net cash provided (used) by operating activities	120,276	230,555	(60,955)	289,876
Cash flows from noncapital financing activities:				
Operating grant	1,589	1,560	--	3,149
Transfers (in)	--	--	48,500	48,500
Net cash provided (used) by noncapital financing activities	1,589	1,560	48,500	51,649
Cash flows from capital and related financing activities:				
Proceeds from capital debt	9,331	1,555	--	10,886
Capital contributions	--	--	13,200	13,200
Purchases of capital assets	(64,103)	(126,818)	(82,249)	(273,170)
Acquisition and construction of capital assets	(90,056)	--	--	(90,056)
Principal paid on capital debt	(93,023)	(23,410)	--	(116,433)
Interest paid on capital debt	(32,774)	(137,879)	--	(170,653)
Net cash provided (used) by capital and related financing activities	(270,625)	(286,552)	(69,049)	(626,226)
Cash flows from investing activities:				
Interest received	9,388	11,710	965	22,063
Net cash provided (used) by investing activities	9,388	11,710	965	22,063
Net increase (decrease) in cash and cash equivalents	(139,372)	(42,727)	(80,539)	(262,638)
Cash and cash equivalents, July 1, (including $810,519 in restricted accounts)	582,448	771,359	122,486	1,476,293
Cash and cash equivalents, June 30, (including $661,842 in restricted accounts)	$ 443,076	$ 728,632	$ 41,947	$ 1,213,655

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
STATEMENT OF CASH FLOWS- PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2004

	Business-type Activities - Enterprise Funds			
	Sewer Fund	Water Fund	Park Fund	Totals
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	$ (21,876)	$ 135,065	$ (79,678)	$ 33,511
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	143,641	106,830	19,717	270,188
Amortization	6,929	302	--	7,231
Decrease (increase) in accounts receivable	(2,661)	(9,196)	--	(11,857)
Decrease (increase) in inventory	1,913	612		2,525
Increase (decrease) in accounts payable	(7,448)	(3,311)	(994)	(11,753)
Increase (decrease) in payroll payable	(222)	253	--	31
Net cash provided by operations	$ 120,276	$ 230,555	$ (60,955)	$ 289,876

The notes to the financial statements are an integral part of this statement.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Municipality of Moorefield, West Virginia, conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of significant accounting policies:

A. Reporting Entity

The government of the Municipality of Moorefield is a municipal corporation governed by an elected mayor and five member council. The accompanying financial statements present the government as required by generally accepted accounting principles.

The services provided by the government and accounted for within these financial statements include law enforcement for the Municipality, health and sanitation services, cultural and recreational programs, and other governmental services.

The accompanying financial statements present the government as required by the accounting principles generally accepted in the United States. In determining whether to include a governmental department, agency, commission or organization as a component unit, the government must evaluate each entity as to whether they are legally separate and financially accountable based on the criteria set forth by the Governmental Accounting Standards Board (GASB). Legal separateness is evaluated on the basis of (1) its corporate name, (2) the right to sue and be sued and (3) the right to buy, sell or lease and mortgage property. Financial accountability is based on (1) the appointment of the governing authority and (2) the ability to impose will or (3) the providing of specific financial benefit or imposition of specific financial burden. Another factor to consider in this evaluation is whether an entity is fiscally dependent on the Municipality.

Based on criteria established above, the Municipality of Moorefield has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied and collectible. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, interest and special assessments are susceptible to accrual. Also, certain taxpayer-assessed revenues such as business and occupation and utility taxes are accrued as revenue at year end. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The government reports the following major governmental funds:

The *General fund* is the government's primary operating fund. It accounts for all financial sources of the general government, except those required to be accounted for in another fund.

The *Coal Severance Tax fund*, a special revenue fund, accounts for revenues and expenditures from a severance tax placed on coal that is distributed to West Virginia counties. The State Auditor's Office requires an annual budget to be submitted for approval for this fund.

The government reports the following major proprietary funds:

The *Water fund* serves the citizens of the Municipality of Moorefield by providing water services to the community. This fund accounts for the receipts and expenses of operating this facility. The rates for user charges and bond issuance authorizations are approved by the government's elected council.

The *Sewerage fund* serves the citizens of the Municipality of Moorefield by providing sewerage services to the community. This fund accounts for the receipts and expenses of operating this facility. The rates for user charges and bond issuance authorizations are approved by the government's elected council.

The *Park fund* serves the citizens of the Municipality of Moorefield by providing recreational facilities to the community. This fund accounts for the receipts and expenses of operating these facilities.

Municipality of Moorefield, West Virginia follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with GASB Pronouncements in both the government-wide and proprietary fund financial statements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the enterprise funds are charges to customers for services. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The Municipality of Moorefield, West Virginia's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of less than three months from the date of acquisition. For purposes of the Statement of Cash Flows, restricted assets may be considered cash equivalents based on liquidity.

In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the Municipality reports its investments at fair value, except for non-participating investment contracts (certificates of deposit and repurchase agreements) which are reported at cost, which approximates fair value. All investment income, including changes in fair value of investments, are recognized as revenue in the operating statement. Fair value is determined by quoted market prices.

Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of underlying securities. Cash deposits are reported at carrying amount which reasonably estimates fair value. The composition of investments and fair values are presented in Note III.A.

State statutes authorize the government to invest in the State Investment Pool or the Municipal Bond Commission or to invest such funds in the following classes of securities: Obligations of the United States or any agency thereof, certificates of deposit (which mature in less than one year), general and direct obligations of the state of West Virginia; obligations of the federal mortgage association; indebtedness secured by first lien deed of trusts for property situated within this state if the payment is substantially insured or guaranteed by the federal government; pooled mortgage trusts (subject to limitations); indebtedness of any private corporation that is properly graded as in the top two or three highest rating grades; interest earning deposits which are fully insured or collateralized; and mutual funds registered with S.E.C. which have fund assets over three hundred million dollars.

State statute limitations concerning the aforementioned investments include the following: at no time can investment portfolios consist of more than seventy-five percent of the indebtedness of any private corporation nor can the portfolio have over twenty-five percent of its portfolio consisting of the indebtedness of a private corporation's debt which matures in less than one year; at no time may more than nine percent of the portfolio be invested in securities issued by a single private corporation or association; and at no time can more than sixty percent of the portfolio be invested in equity mutual funds.

2. Receivables and Payables

Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables or payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balance outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Trade Receivables

All trade receivables are shown at their gross value.

The government periodically analyzes delinquent accounts and uses the direct write off method. There were no accounts written off during the year.

Property Tax Receivable

The property tax receivable is equal to 100 percent of the property taxes outstanding at June 30, 2004.

All current taxes assessed on real and personal property may be paid in two installments; the first installment is payable on September first of the year for which the assessment is made, and becomes delinquent on October first; the second installment is payable on the first day the following March and becomes delinquent on April first. Taxes paid on or before the date when they are payable, including both first and second installments, are subject to a discount of two and one-half percent. If the taxes are not paid on or before the date in which they become delinquent, including both first and second installments, interest at the rate of nine percent per annum is added from the date they become delinquent until the date they are paid.

All municipalities within the state are authorized to levy taxes not in excess of the following maximum levies per $100 of assessed valuation: On Class I property, twelve and five-tenths cents (12.5 cents); On Class II property, twenty-five cents (25 cents); On Class IV property, fifty cents (50 cents). In addition, municipalities may provide for an election to lay an excess levy; the rates not to exceed statutory limitations, provided at least sixty percent of the voters cast ballots in favor of the excess levy.

The rates levied by the Municipality per $100 of assessed valuation for each class of property for the fiscal year ended June 30, 2004, were as follows:

Class of Property	Assessed Valuation For Tax Purposes	Current Expense	Excess Levy
Class I	$ 19,795	12.5 cents	6.25 cents
Class II	$ 14,765,475	25 cents	12.5 cents
Class IV	$ 66,969,234	50 cents	25 cents

The Municipality of Moorefield, West Virginia held a special election on March 4, 2003. The Municipality was authorized to lay an excess levy to provide approximately $86,834 annually during the next five fiscal years ended June 30, 2004 through June 30, 2008 , for the purpose of:

Maintenance and improvement of the streets, sidewalks, storm drains, parking lots, roads and alleys and the maintenance and improvement of the Town Park.

3. Inventories

For proprietary funds, inventories are valued at cost using the first- in/first-out (FIFO) method.

The cost of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

4. Restricted Assets

Certain proceeds of the water and sewerage enterprise fund revenue bonds, as well as certain proceeds set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

The "regular" account is used to segregate resources accumulated for debt service payments over the next twelve months.

The "reserve" account is used to report resources set aside to make up potential future deficiencies in the regular account.

The "renewal and replacement" account is used to report resources set aside to meet unexpected contingencies or fund asset renewals and replacements.

The "reserve for construction account" is used to report those proceeds of revenue bond and grants that are restricted for use in construction.

5. Capital Assets and Depreciation

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of $5,000 or more and estimated to have a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is not reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds during the same period.

Capital assets of the government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Structures and improvements	40
Transmission and distribution	10-40
Machinery and equipment	05-10
Vehicles	05-10

6. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements in accordance with GASB Statement No. 16, Accounting for Compensated Absences.

No liability is reported for unpaid accumulated sick leave.

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Coal Severance Tax Special Revenue Fund, except that business and occupation taxes are not reported on the modified accrual basis for budgetary purposes. All annual appropriations lapse at fiscal year end.

Municipality of Moorefield, West Virginia prepares its budget on the cash/cash plus encumbrances basis of accounting. Therefore, a reconciliation has been performed on the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual for both the General and Coal Severance Tax Funds.

The governing body of the Municipality is required to hold a meeting or meetings between the seventh and twenty-eighth days of March to ascertain the financial condition of the Municipality and to prepare the levy estimate (budget) for the fiscal year commencing July 1. The budget is then forthwith submitted to the State Auditor for approval. The governing body then reconvenes on the third Tuesday in April to hear objections from the public and formally lay the levy.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations between departments and revenue related revisions to the budget require approval from the governing council and then submission to the State Auditor for approval. Revisions become effective when approved by the State Auditor and budgeted amounts in the financial statements reflect only such approved amounts. The governing body made the following material supplementary budgetary appropriations throughout the year.

Amount	Description
$ 223,070	Unencumbered Fund Balance - General Fund
4,582	Unencumbered Fund Balance - Coal Severance Tax Fund

Encumbrance accounting is not employed as an extension of the formal budgetary process. Encumbrances (e.g. purchase orders, contracts) should be reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2004, expenditures exceeded appropriations in the Coal Severance Tax Fund by $1,048. This over expenditure was funded by available fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits and investments are categorized into these three categories of credit risk:

(1) Insured or registered, or securities held by the government or its agent in the government's name.

(2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.

(3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the government's name.

At year end, the government's carrying amount of deposits was $666,698. Of the bank balance, $200,000 was covered by federal depository insurance or by collateral held by the government's agent in the government's name (Category 1). Of the remaining balance, $466,698 was collateralized with securities held by the pledging financial institution's trust department or agent in the government's name (Category 1).

At year end the government's investment balances were as follows:

	Category 1	Carrying Amount	Fair Value
Commercial Paper	1,144,021	$ 1,144,021	$ 1,144,021
Total	$ 1,144,021	$ 1,144,021	$ 1,144,021
Investments not subject to categorization:			
Municipal Bond Commission		317,403	317,403
Total Investments		$ 1,461,424	$ 1,461,424

A reconciliation of cash and investments as shown on the Statement of Net Assets of the government is as follows:

Carrying amount of cash and deposits	$ 666,697
Carrying amount of investments	1,461,424
Total	$ 2,128,121

Cash and cash equivalents	$ 666,512
Cash and cash equivalents-restricted	185
Investments	799,767
Investments-restricted	661,657
Total	$ 2,128,121

B. Receivables

Receivables at year end for the government's individual major funds and nonmajor funds in the aggregate, are as follows:

	General	Other and Nonmajor Fund	Water Fund	Sewer Fund	Total
Receivables:					
Accounts	$ --	$ --	$ 83,567	$ 77,250	$ 160,817
Taxes	7,356	3,678	--	--	11034
Net Total Receivables	$ 7,356	$ 3,678	$ 83,567	$ 77,250	$ 171,851

C. Capital Assets

Capital Asset activity for the fiscal year ended June 30, 2004, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 22,455,088	$ --	$ --	$ 22,455,088
Total capital assets not being depreciated	22,455,088	--	--	22,455,088
Capital assets being depreciated:				
Buildings and improvements	4,543,845	--	--	4,543,845
Machinery and equipment	145,190	40,869	(9,000)	177,059
Vehicles	114,349	3,400	(18,730)	99,019
Total accumulated depreciation	(331,437)	(59,871)	27,730	(363,578)

Total capital assets being depreciated, net	4,471,947	(15,602)	--	4,456,345
Governmental activities capital assets, net	$ 26,927,035	($ 15,602)	$ --	$ 26,911,433

The June 30, 2003, ending balance in accumulated depreciation was restated to accurately reflect the useful lives of the assets.

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 169,617	$ --	$ --	$ 169,617
Construction in progress	--	90,056	--	90,056
Total capital assets, not being depreciated	169,617	90,056	--	259,673
Capital assets being depreciated:				
Buildings	14,322	30,649	--	44,971
Structures and improvements	2,833,955	82,249	--	2,916,204
Transmission and distribution	1,610,575	81,739	--	1,692,314
Machinery and equipment	9,977,198	78,533	--	10,055,731
Less: accumulated depreciation	(3,424,254)	(250,471)	--	(3,674,725)
Total capital assets being depreciated, net	11,011,796	22,699	--	11,034,495
Business-type activities capital assets, net	$ 11,181,413	$ 112,755	$ --	$ 11,294,168

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 44,782
Public safety	6,432
Highways and streets	8,657
Total depreciation expense-governmental activities	$ 59,871
Business-type activities:	
Water Fund	$ 143,641
Sewerage Fund	106,830
Total depreciation expense-business-type activities	$ 250,471

Construction in Progress

For business-type activities, the government has an active construction project in the sewerage fund. At year end the total spent-to-date was $90,056. This project is funded by the Municipality of Moorefield.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2004, is as follows:

Due to/from other funds

Receivable Fund	Payable Fund	Amount
Sewerage	Water	$ 680
	Total	$ 680

Interfund Transfers:

	Transfers In		
	General Fund	Nonmajor Governmental	Parks
Transfers out:			
General fund	$(1,000)	$ --	$(48,500)
Nonmajor governmental funds	--	$49,500	--
Total Transfers Out	$(1,000)	$49,500	$(48,500)

E. Leases

Capital Leases

The government has entered into lease agreements as lessee for financing the acquisition of public works equipment. These lease agreements qualify as capital leases for accounting purposes, and, therefore have been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset	Governmental Activities	Water fund	Sewerage fund
Machinery, equipment and vehicles	$ 3,835	$ 12,078	$ 12,079
Less: accumulated depreciation	192	604	604
Total	$ 4,027	$ 12,682	$ 12,683

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2004, were as follows:

Year Ending June 30	Governmental Activities	Business Type Activities
2005	$ 3,888	$ 11,036
Total minimum lease payments	3,888	11,036
Less: amount representing interest	(53)	(150)
Present value of minimum lease payments	$ 3,835	$ 10,886

F. Long-Term Debt

Notes Payable

The Municipality entered into a loan agreement with an individual to finance a sewerage line extension in the Municipality.

Purpose	Maturity Dates	Interest Rates	Issued	Retired	Balance June 30, 2004
Business-type activities:	2013	0%	$ 89,120	$ 17,826	$ 71,294
Total notes payable			$ 89,120	$ 17,826	$ 71,294

Debt service requirements to maturity are as follows:

Year Ended	Business-Type Activities Principal
2005	$ 8,912
2006	8,912
2007	8,912
2008	8,912
2009	8,912
2010 - 2014	26,734
Totals	$ 71,294

Revenue Bonds

The Municipality issues bonds where the government pledges income derived from acquired or constructed assets to pay debt service.

The proceeds of these bonds are being used to construct and maintain water and sewer plants and lines. Revenue Bonds outstanding, net of unamortized loss of $45,689 for the 2001 issue at year end are as follows:

Purpose	Maturity Dates	Interest Rates	Issued	Retired	Balance June 30, 2004
Business-type activities:					
Water Plant and line project:					
1992 Series A bonds	2032	9.75%	$ 1,451,613	$ 106,339	$ 1,345,274
1992 Series B bonds	2032	0%	48,387	13,648	34,739
1986 Series A bonds	2026	8.38%	443,275	51,217	392,058
1986 Series B bonds	2026	0%	108,725	42,918	65,807
Sewerage Plant and line project:					
1986 Series B bonds	2026	0%	38,440	15,174	23,266
1987 Series B bonds	2027	8.38%	156,720	18,109	138,611
1998 Series A bonds	2038	0%	1,218,240	80,740	1,137,500
2001 Series A bonds	2041	5.80%	259,125	74,988	184,137
Total revenue bonds			$ 3,724,525	$ 403,133	$ 3,321,392

Revenue bond and notes debt service requirements to maturity are as follows:

Year Ended	Business-Type Activities Principal	Interest
2005	$ 119,357	$ 161,416
2006	121,948	158,813
2007	124,734	156,039
2008	127,339	153,077
2009	130,489	149,831
2010 - 2014	667,023	689,925
2015 - 2019	774,140	591,742
2020 - 2024	550,298	421,514
2025 - 2029	511,631	227,505
2030 - 2034	311,416	48,925
Totals	$ 3,438,375	$ 2,758,787

The Municipality is required to comply with the provisions of the bond agreements and to ensure the revenues are adequate to meet its operating expenses and debt service requirements. The following schedule summarizes these provisions for the fiscal year ended June, 30, 2004.

Rate Covenant

Net Gross Revenues	Maximum Amount Annual Debt Service	Percentage	Percentage Required
$ 310,930	$ 271,861	115%	115%

As of June 30, 2004, the Municipality was in compliance with the provisions of their revenue bond covenants which require revenues to be 115% or above the amount of the highest principal payment plus interest due in any given year.

The provisions of the revenue bond covenants require that assets to be accumulated in restricted accounts for the payment of future debt service. The covenant requires, at a minimum, that an amount equivalent to one third of the current year's debt service payment be maintained in a revenue account. A reserve account must also be funded with one tenth of one twelve of the highest debt service payment in any given year. The Municipality has sufficient funds in reserve to satisfy the bond covenant requirements.

Changes in General Long-Term Liabilities

	Governmental Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ --	$ 44,858	$ --	44,858	$ --
Governmental activities Long-term liabilities	$ --	$ 44,858	$ --	$ 44,858	$ --

	Business-Type Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable	$ 3,474,622	$ --	($ 107,541)	$ 3,367,081	$ 119,357
Notes payable	80,208	--	(8,914)	71,294	--
Less: deferred amounts:					
Loss on refunding	(48,952)	--	3,263	(45,689)	--
Total bonds payable	3,505,878	--	(113,192)	3,392,686	119,357
Business-type activities Long-term liabilities	$ 3,505,878	$ --	($ 113,192)	$ 3,392,686	$ 119,357

G. Restricted Assets

The balances of the restricted asset accounts for the primary government and component unit[s] are as follows:

	Business-Type Activities
Revenue bond operations and maintenance account	$ 317,403
Revenue bond construction account	344,254
Revenue bond renewal and replacement account	185
Total restricted assets	$ 661,842

V. Other Information

A. Risk Management

The government is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance with Scottsdale Insurance Company for umbrella (general liability) insurance for these various risks.

The Municipality pays the State Workers' Compensation System a premium based on a rate per $100 of salaries. The rate is calculated based on accident history and administrative costs to provide coverage to employees for job related injuries.

Liabilities are reported when it is probable a loss has occurred and the amount of the loss can be reasonably estimated.

B. Contingent Liabilities

It is the opinion of the government's counsel that there are no pending lawsuits or unasserted claims against the Municipality of Moorefield, West Virginia.

VI. Employee Retirement Systems and Plans

VI.B.1 Plan Descriptions Contribution Information and Funding Policies

Public Employee Retirement System (PERS)

The Municipality of Moorefield, West Virginia participates in a state-wide, cost-sharing, multiple-employer defined benefit plan on behalf of general Municipality employees. The system is administered by agencies of the State of West Virginia and funded by contributions from participants, employers, and state appropriations, as necessary.

The following is a summary of eligibility factors, contribution methods, and benefit provisions:

	Public Employees Retirement System
Eligibility to participate	All Municipality full-time employees, except those covered by other pension plans
Authority establishing contribution obligations and benefit provisions	State Statute
Plan member's contribution rate	4.50%
Municipality's contribution rate	10.50%
Period required to vest	Five Years
Benefits and eligibility for distribution	A member who has attained age 60 and has earned 5 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 10) times the years of service times 2% equals the annual retirement benefit.
Deferred retirement portion	No
Provisions for:	
Cost of Living	No
Death Benefits	Yes

VI.B.2. Trend Information

Public Employees' Retirement System (PERS)

Fiscal Year	Annual Pension Cost	Percentage Contributed
2004	$ 78,444	100%
2003	$ 71,564	100%
2002	$ 65,900	100%

PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Retirement System, Building 5, Room 1000, 1900 Kanawha Boulevard East, Charleston, WV 25305.

ACCOMPANYING INFORMATION

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's basic financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such as opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2004-01 and 2004-02.

This report is intended solely for the information and use of the audit committee, management, and City Council and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Glen B. Gainer III
West Virginia State Auditor

September 9, 2005

Failure to Submit Budget Revision to Appropriate
the Unexpended Balance - Coal Severance Tax Fund
2004-01

CONDITION:

We determined during our audit that the officials of the Municipality of Moorefield failed to submit a budget revision for the Coal Severance Tax Fund to appropriate $2,399, the actual unexpended fund balance at June 30, 2004.

CRITERIA:

The West Virginia Code §6-9-3 states in part that:

> ". . .All unexpended balances or appropriations shall be transferred to the credit of the fund from which originally appropriated or levied whenever the account with an appropriation is closed."

In addition, a State Supreme Court decision stated that:

> ". . .Any excesses or balances should be carried into the proper funds of the succeeding fiscal year and proper credit made therefore when levies are being laid for that year . . . Ireland v Board of Education, 115 WV 614, 177 S.E. 452 (1934)."

CAUSE:

The Municipality failed to revise the cash balance for the Coal Severance Tax Fund.

EFFECT:

The Municipality did not appropriate all funds available.

RECOMMENDATION:

The Municipality should exercise proper budgetary practices.

Expenditures in Excess of Amounts Allocated
in the Levy Estimate - General Fund
2004-02

CONDITION:

It was determined during this examination that municipal officials of Moorefield incurred expenditures and/or encumbrances for certain items in the General Fund in excess of the amounts allocated for those items in the official levy estimate (budget) as last revised. Specifically, expenditures in the following categories exceeded budget amounts.

Category	Budget	Actual	Variance
Streets and transportation	$9,082	$10,130	$1,048

CRITERIA:

West Virginia Code §11-8-26 states in part that:

> "...a local fiscal body shall not expend money or incur obligations:
> (1) In an unauthorized manner;
> (2) For an unauthorized purpose;
> (3) In excess of the amount allocated to the fund in the levy order;
> (4) In excess of the funds available for current expenses..."

CAUSE:

The Municipality failed to implement policies and procedures which should regulate expenditures and insure that adequate revisions be made to the budget prior to actual disbursements being made.

EFFECT:

By not exercising adequate policies and procedures, the Municipality compromises its budgetary control.

RECOMMENDATION:

The Municipality should implement controls that will insure compliance with budgetary requirements.

AUDITED AGENCY'S RESPONSE:

The municipal recorder stated that better budgetary control will be exercised in the future to prevent overexpenditures.

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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[LETTERHEAD OF STEPTOE & JOHNSON PLLC]
(Form of Bond Counsel Opinion)

March 16, 2007

Town of Moorefield (West Virginia)
Water Revenue Bonds, Series 2007 A (Tax-Exempt)

Town of Moorefield
Moorefield, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by the Town of Moorefield (West Virginia) (the "Issuer") of its $_____ aggregate principal amount Water Revenue Bonds, Series 2007 A (Tax-Exempt) (the "Bonds").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act") and a Bond Ordinance duly enacted by the Issuer on February 28, 2007, as supplemented by a Supplemental Parameters Resolution duly adopted by the Issuer on February 28, 2007 (said Ordinance, as so supplemented, herein called the "Ordinance") and are subject to all the terms and conditions of the Ordinance.

The Bonds are issued in fully registered form, are dated March 1, 2007, upon original issuance, mature on March 1 in years and amounts and bear interest payable each March 1 and September 1, commencing September 1, 2007, and are subject to optional and mandatory sinking fund redemption prior to maturity on the dates, in the amounts and at the redemption prices, all as set forth in the Ordinance.

The Ordinance provides that the issue is for the purposes of providing funds to design, acquire and construct extensions, additions, betterments and improvements to the waterworks system of the Town, and to pay costs of issuance of the Bonds and other costs in connection with such issue.

There are outstanding obligations of the Issuer which will rank either on a parity with or junior and subordinate to, the Bonds as to liens, pledge, source of and security for payment, as follows:

Designation	Lien Position
Water Revenue Bonds, Series 1987,dated November 20, 1987, issued in the original aggregate principal amount of $443,275 (the "Series 1987 Bonds")	First Lien
Water Revenue Bonds, Series 1992 A, dated May 28, 1992, issued in the original aggregate principal amount of $1,451,613 (the "Series 1992 A Bonds")	First Lien
Supplemental Water Revenue Bonds, Series 1987, dated November 20, 1987, issued in the original aggregate principal amount of $108,725 (the "Series 1987 Supplemental Bonds")	Second Lien
Water Revenue Bonds, Series 1992 B, dated May 28, 1992, issued in the original aggregate principal amount of $48,387 (the "Series 1992 B Bonds")	Second Lien

The Series 1987 A Bonds and the Series 1992 A Bonds are hereinafter collectively called the "First Lien Bonds." The Series 1987 B Bonds and the Series 1992 B Bonds are hereinafter called the "Second Lien Bonds". The First Lien Bonds and the Second Lien Bonds are collectively referred to as the "Prior Bonds". The ordinances which authorized the issuance of the Prior Bonds are herein collectively referred to as the "Prior Ordinances."

The Series 2007 A Bonds shall be issued on a parity with one another and with the First Lien Bonds, all of which shall have a first lien position with respect to pledge and source of and security for payment and in all other respects, and senior and prior to the Second Lien Bonds. The Issuer has met the coverage requirements for issuance of parity bonds of the Prior Bonds and the Prior Ordinances authorizing the Prior Bonds and has substantially complied with all other parity requirements, except to the extent that noncompliance with any such other parity requirements is not of a material nature. The Issuer has received the consent of the holders of the Second Lien Bonds to the issuance of the Series 2007 A Bonds.

The Bonds have been sold to Crews & Associates, Inc. (the "Purchaser"), pursuant to a Bond Purchase Agreement dated March ___, 2007, and accepted by the Issuer (the "Bond Purchase Agreement").

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

Based upon the foregoing, and assuming compliance with the covenants, representations and certifications of the Issuer and others, pertaining to tax matters set forth in the Ordinance and with certain certificates delivered in connection with the issuance of the Bonds, we are of the opinion, under existing law, that:

1. The Issuer is a duly created and validly existing municipal corporation under and pursuant to the laws of the State of West Virginia, with full power and authority to enact the Ordinance, enter into the Bond Purchase Agreement, perform its obligations under the terms and provisions thereof and to issue and sell the Bonds, all under the provisions of the Act and other applicable provisions of law.

2. The Issuer, through its governing body, has legally and effectively enacted the Ordinance, has authorized, executed and delivered the Bond Purchase Agreement and has issued and delivered the Bonds to the Purchaser pursuant to the Bond Purchase Agreement. The Ordinance is in full force and effect as of the date hereof.

3. Assuming due authorization, execution and delivery by the other parties thereto, the Bond Purchase Agreement constitutes a valid, legal, binding and enforceable instrument of the Issuer in accordance with its terms; and the Bonds, subject to the terms thereof, constitute valid and legally enforceable limited obligations of the Issuer, payable from the Gross Revenues and issued on a parity with respect to liens, pledge and sources of and security for payment with the Outstanding Prior Bonds, and enforceable in accordance with their terms and the terms of the Ordinance, and are entitled to the benefits of the Ordinance and the Act.

4. Under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Bonds (including original issue discount properly allocable to owners of the Bonds) is excludable from gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. Ownership of tax-exempt obligations, including the Bonds, may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. We offer no opinion as to such collateral tax consequences. Prospective purchasers of the Bonds should consult their own tax advisors as to such consequences. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Internal Revenue Code of 1986, as amended, and regulations thereunder (the "Code") that must be satisfied subsequent to issuance

of the Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Ordinance and the certificate relating to arbitrage. Failure to comply with such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. Except as set forth in paragraph 6, below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under the Act, the Bonds and the interest thereon, are exempt from all taxation by the State of West Virginia and any county, municipality, political subdivision or agency thereof.

6. The Issuer has designated the Bonds as "qualified tax-exempt obligations" for purposes of the Code, and has covenanted that it does not reasonably expect to issue more than $10,000,000 of tax-exempt obligations (other than private activity bonds and obligations issued to currently refund any obligation of the Issuer to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligations) during the calendar year 2007. Therefore, the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

7. The Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and the West Virginia Uniform Securities Act, as amended, and it is not necessary, in connection with the public offering and sale of the Bonds, to register any securities under said Securities Acts.

It is to be understood that the rights of the holders of the Bonds and the enforceability of liens, pledges, rights or remedies with respect to the Bonds, the Ordinance and the Bond Purchase Agreement are subject to any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws heretofore or hereafter enacted affecting creditors' rights or remedies generally, and that their enforcement may also be subject to the application of public policy, general principles of equity and the exercise of judicial discretion in appropriate cases.

We have examined the executed and authenticated Bond No. AR-1 of said issue, and in our opinion, said Bond is in proper form and has been duly executed and authenticated.

Very truly yours,

STEPTOE & JOHNSON PLLC

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Certificate") is made and entered into by the Town of Moorefield, a political subdivision of the State of West Virginia (the "Issuer"), in connection with the issuance of $3,135,000 Town of Moorefield, Water Revenue Bonds, Series 2007 A (Tax-Exempt) (the "Bonds"). The Bonds are being issued pursuant to the Issuer's Ordinance enacted on February 28, 2007, and its Supplemental Parameters Resolution adopted on February 28, 2007 (collectively, the "Ordinance"). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Certificate. This Certificate is being executed and delivered by the Issuer for the benefit of the holders and Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5).

Any filing under this Certificate may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

SECTION 2. Definitions. In addition to the definitions set forth in the Ordinance and the Bond Purchase Agreement dated March 12, 2007, which apply to any capitalized term used in this Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in Sections 3 and 4 of this Certificate.

"Beneficial Owner" shall mean any person that has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Central Post Office" shall mean the MAC, which shall receive Annual Reports and Listed Events and then electronically transmit them to the National Repositories and the State Repository.

"Dissemination Agent" shall initially mean the Issuer and any later appointed Dissemination Agent or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in Exhibit B.

"Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean the Central Post Office for delivery to each National Repository and the State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of West Virginia.

"State Repository" shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. [As of the date of this Certificate, there is no State Repository.]

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 12 months after the end of the Issuer's fiscal year (presently June 30), commencing with the report for the 2007 Fiscal Year, provide to the Central Post Office for delivery to each Repository an Annual Report, which is consistent with the requirements of Section 4 of this Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Certificate; provided, that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and not later than 15 days after receipt by the Issuer. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the Central Post Office for delivery to each National Repository and the State Repository, if any; and

(ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) Within one hundred eighty (180) days after the end of its 2007 fiscal year and each subsequent fiscal year, to the Central Post Office for delivery to each National Repository and any State Depository, unaudited general purpose financial statements of the Issuer, and

(b) Within fifteen (15) days after receipt by the Issuer of its 2007 fiscal year-end, and each subsequent fiscal year, to the Central Post Office for delivery to each National Repository

and any State Repository, core financial information and operating data of the Issuer for the prior fiscal year, including (i) the audited financial statements, prepared in accordance with generally accepted auditing principles in effect from time to time, and (ii) material historical quantitative data of the type found in the Official Statement under the caption "Financial Statements of the Issuer":

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events, if applicable, with respect to the Bonds, if material:

1. principal and interest payment delinquencies;

2. non-payment related defaults;

3. unscheduled draws on debt service reserves reflecting financial difficulties;

4. unscheduled draws on credit enhancements reflecting financial difficulties;

5. substitution of credit or liquidity providers, or their failure to perform;

6. adverse tax opinions or events affecting the tax-exempt status of the security;

7. modifications to rights of security holders;

8. bond calls;

9. defeasances;

10. release, substitution, or sale of property securing repayment of the securities; and

11. rating changes.

(b) Whenever the Issuer obtains knowledge of the occurrence of any of the Listed Events, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Issuer determines that knowledge of the occurrence of any of the Listed Events would be material under applicable federal securities laws, the Issuer shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board, the Central Post Office for delivery to the National Repository and the State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Ordinance.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for any of the Listed Events under Section 5(a).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Certificate.

SECTION 8. Amendment, Waiver. Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Ordinance for amendments to the Ordinance with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for any of the Listed Events under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in

quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of any of the Listed Events, in addition to that which is required by this Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of any of the Listed Events in addition to that which is specifically required by this Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it is any future Annual Report or notice of occurrence of any of the Listed Events.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Certificate (and, at the request of the Original Purchaser), any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Ordinance, and the sole remedy under this Certificate in the event of any failure of the Issuer to comply with this Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Certificate shall inure solely to the benefit of the Issuer, the Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: March 16, 2007

TOWN OF MOOREFIELD

By: _____
Mayor

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Town of Moorefield

Name of Issue: $3,135,000 Town of Moorefield, Water Revenue Bonds, Series 2007 A (Tax-Exempt)

Date of Issuance: March 16, 2007

Notice is hereby given that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by its covenant made in connection with the above-referenced bond issue. The Issuer anticipates that the Annual Report will be filed by _____.

Dated this _____.

TOWN OF MOOREFIELD

By: _____
Mayor

EXHIBIT B

Nationally Recognized Municipal
Securities Information Repositories
Approved by the Securities and Exchange
Commission as of March 1, 2007

Central Post Office
Website: http://www.disclosureusa.org

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
FAX: (609) 279-5962
http://www.bloomberg.com/markets/rates/municontacts.html
E-mail: Munis@Bloomberg.com

FT Interactive Data
Attn: NRMSIR
100 William Street, 15th Floor
New York, NY 10038
Phone: (212) 771-6999; (800) 689-8466
FAX: (212) 771-7390
http://www.ftid.com
E-mail: NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, NY 10041
Phone: (212) 438-4595
FAX: (212) 438-3975
http://www.disclosuredirectory.standardandpoors.com/
E-mail: nrmsir_repository@sandp.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
FAX: (201) 947-0107
http://www.dpcdata.com
E-mail: nrmsir@dpcdata.com

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NEW ISSUE-BOOK ENTRY ONLY

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, interest on the Series 2007 Bonds is excludable from gross income of the holders thereof for federal income tax purposes, and interest on the Series 2007 Bonds will not be treated as a preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest paid to corporate holders of the Series 2007 Bonds may be indirectly subject to alternative minimum tax under certain circumstances. Further, in the opinion of Bond Counsel, under existing laws of the State of West Virginia, the Series 2007 Bonds, and the interest thereon are exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia. See "TAX MATTERS" herein.

$3,155,000
TOWN OF MOOREFIELD (WEST VIRGINIA)
WATER REVENUE BONDS, SERIES 2007 A (TAX-EXEMPT)

Dated: March 1, 2007 Due: March 1, as shown below

The Series 2007 Bonds are issuable only as fully registered bonds without coupons in denominations of $5,000 and integral multiples thereof for any year of maturity. All of the Series 2007 Bonds initially will be maintained under a book-entry system under which The Depository Trust Company, New York, New York ("DTC"), will act as securities depository. Purchases of the Series 2007 Bonds will be in book-entry form only. Semiannual interest on the Series 2007 Bonds is payable September 1, 2007, and each March 1 and September 1 thereafter. So long as the Series 2007 Bonds are maintained under a book-entry system, payments of the principal of and premium, if any, and interest on the Series 2007 Bonds will be made when due by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent (the "Paying Agent"), to DTC in accordance with the Ordinance and the Supplemental Parameters Resolution, and the Paying Agent will have no obligation to make any payments to any beneficial owner of any Series 2007 Bonds. See "THE SERIES 2007 BONDS - Book-Entry Only System." The Series 2007 Bonds are subject to redemption prior to maturity as described herein.

The Series 2007 Bonds are being issued, together with other funds available therefor, to: (i) construct improvements and extensions to the Town's water system; (ii) provide funds in the amount of $194,347.50 to be deposited in the Series 2007 Bonds Reserve Account, which will equal the maximum annual debt service on the Series 2007 Bonds; and (iii) pay certain costs of issuance of the Series 2007 Bonds and related costs.

The Town has designated the Series 2007 Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Internal Revenue Code of 1986, as amended.

The Series 2007 Bonds are payable from and further secured by the Gross Revenues derived from the existing water system of the Town and any extensions, improvements and betterments thereto on parity with the Prior Bonds, as hereinafter defined, and any additional parity bonds that may hereafter be issued by the Town as permitted by the Ordinance, as hereinafter defined, and the Series 2007 Bonds are also payable from funds on deposit in the Series 2007 Bonds Sinking Fund and the Reserve Account therein. The Series 2007 Bonds do not constitute an indebtedness of the Town within the meaning of any constitutional or statutory provisions or limitations, and the Town shall not be obligated to pay the principal or premium, if any, of and the interest on the Series 2007 Bonds, except from the Gross Revenues and such funds on deposit. Neither the full faith and credit nor the taxing power of the Town shall be deemed to be pledged to, nor shall any tax be levied for, the payment or the principal of or the premium, if any, or interest on the Series 2007 Bonds.

MATURITIES, AMOUNTS, INTEREST RATES, PRICES AND CUSIP

$180,000 4.10% Series 2007 Term Bonds due March 1, 2012 at 100% 61586P AA6
$260,000 4.30% Series 2007 Term Bonds due March 1, 2017 at 100% 61586P AB4
$320,000 4.60% Series 2007 Term Bonds due March 1, 2022 at 100% 61586P AC2
$405,000 4.75% Series 2007 Term Bonds due March 1, 2027 at 100% 61586P AD0
$290,000 4.90% Series 2007 Term Bonds due March 1, 2030 at 100% 61586P AE8
$1,700,000 5.00% Series 2007 Term Bonds due March 1, 2042 at 98.373% 61586P AF5

(Accrued interest to be added)

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision. The Series 2007 Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of legality by Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel. Jack H. Walters, Moorefield, West Virginia, Counsel to the Town, will pass upon certain legal matters for the Town. Goodwin & Goodwin, LLP, Charleston, West Virginia, as counsel to the Underwriter, will pass upon certain legal matters for the Underwriter. It is expected that the Series 2007 Bonds will be available for delivery in New York, New York on or about March 16, 2007.

Crews&Associates
Member First Security Bancorp

Dated: March 12, 2007

TOWN OF MOOREFIELD, WEST VIRGINIA

MAYOR
Gary Stalnaker

RECORDER
Phyllis Sherman

COUNCIL
Steve Wilson - Council Member
Beverly Baker - Council Member
Carlton Hilliard - Council Member
Chip Combs - Council Member
Larry Kuykendall - Council Member

BOND COUNSEL
Steptoe & Johnson PLLC
Charleston, West Virginia

ISSUER'S COUNSEL
Jack H. Walters, Esq.
Moorefield, West Virginia

UNDERWRITER'S COUNSEL
Goodwin & Goodwin, LLP
Charleston, West Virginia

CONSULTING ENGINEERS
Metcalf & Eddy of New York, Inc.
New York, New York

AUDITORS
Gohdes & Thomas, CPAs
Moorefield, West Virginia

UNDERWRITER
Crews & Associates, Inc.
Charleston, West Virginia

DEPOSITORY BANK
First United Bank and Trust Bank
Moorefield, West Virginia

REGISTRAR
United Bank, Inc.
Charleston, West Virginia

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2007 Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by the Town of Moorefield, West Virginia, or the Underwriter to give any information or to make any representations, other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information set forth herein has been obtained from the Town of Moorefield and other sources, which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and any expression of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Town of Moorefield, West Virginia, as it relates to the System, since the date hereof. This Official Statement is submitted in connection with the sale of securities referred to herein, and may not be reproduced or used, in whole or in part, for any other purposes.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2007 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

INTRODUCTION 1
FINANCING PLAN 3
Sources and Uses of Funds 3
THE SERIES 2007 BONDS 3
General 3
Optional Redemption 4
Mandatory Redemption 4
Notice of Redemption 7
BOOK-ENTRY ONLY SYSTEM 7
The Depository Trust Company 7
Ownership of Series 2007 Bonds 8
Payments on and Redemption of Series 2007 Bonds 9
Discontinuance of Book-Entry Only System 10
ADDITIONAL SECURITY FOR THE SERIES 2007 BONDS 10
Outstanding Bonds 10
Sources of Payment 11
Rate Covenant 11
Series 2007 Bonds Reserve Account 11
Application of Revenues 12
Enforcement of Collections 14
Additional Parity Bonds 14
PROJECT AND SYSTEM BACKGROUND 16
The Project 16
Water Usage 16
Customer History 17
Major Users 17
Water Source 17
Wholesale Contracts 18
Certain Officers and Personnel 18
Rates 18
Public Service Commission 22
Billing and Collections 22
System Budget and Expenditures 23
Method of Accounting 23
Summary of Historical Revenues and Expenses 24
Retirement System 24
ANNUAL DEBT SERVICE REQUIREMENTS 25
SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE 26
Application of Series 2007 Bond Proceeds 26
Application of System Revenues 26
System Revenues; Flow of Funds 26
Investments 28
General Covenants 29
Default and Remedies 34
TAX MATTERS 35

APPROVAL OF LEGALITY 37
ABSENCE OF MATERIAL LITIGATION 37
NEGOTIABLE INSTRUMENTS 37
UNDERWRITING 37
FINANCIAL STATEMENTS 37
CONTINUING DISCLOSURE 38
MISCELLANEOUS 38

APPENDIX A - General Information Regarding Hardy County (West Virginia). A-1
APPENDIX B - Financial Statements. B-1
APPENDIX C - Form of Opinion of Bond Counsel C-1
APPENDIX D - Continuing Disclosure Agreement D-1

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OFFICIAL STATEMENT

$3,155,000
TOWN OF MOOREFIELD (WEST VIRGINIA)
WATER REVENUE BONDS, SERIES 2007 A (TAX-EXEMPT)

INTRODUCTION

This Official Statement, including the cover page and appendices, is provided for the purpose of setting forth certain information concerning the Town of Moorefield, West Virginia (the "Town"), the Town's municipal water system hereinafter described and the Town's $3,155,000 in aggregate principal amount of Water Revenue Bonds, Series 2007 A (Tax-Exempt) (the "Series 2007 Bonds" or the "Series 2007 A Bonds"). The Series 2007 Bonds are being issued pursuant to the Constitution and laws of the State of West Virginia (the "State"), specifically Chapter 8, Article 19 of the Code of West Virginia of 1931, as amended (the "Act"), and an ordinance enacted by the Council of the Town on February 28, 2007 (the "Original Ordinance"), as supplemented and amended by a supplemental parameters resolution adopted by the Council of the Town pursuant to the Original Ordinance (the "Supplemental Parameters Resolution" and together with the Original Ordinance, the "Ordinance").

The proceeds of the Series 2007 Bonds, together with other funds available therefor, will be used as follows: (i) to construct improvements and extensions to the Town's water system; (ii) to provide funds in the amount of $194,347.50, to be deposited in the Series 2007 Bonds Reserve Account, which will equal the maximum annual debt service on the Series 2007 Bonds; and (iii) to pay certain costs of issuance of the Series 2007 Bonds and related costs.

The Series 2007 Bonds are payable from and secured by the Gross Revenues, as defined in the Ordinance, derived from the existing water system of the Town and any extensions, improvements or betterments thereto (the "System") on a parity with the First Lien Bonds and senior and prior to the Second Lien Bonds, as hereinafter defined, and any Additional Bonds that may hereafter be issued by the Town as permitted by the Ordinance, and the Series 2007 Bonds are also payable from funds on deposit in the Series 2007 Bonds Sinking Fund and the Reserve Account therein. The Series 2007 Bonds do not constitute an indebtedness of the Town within the meaning of any constitutional or statutory provisions or limitations, and the Town shall not be obligated to pay the Series 2007 Bonds or premium, if any, or the interest thereon except from such Gross Revenues and such funds on deposit.

Pursuant to the Ordinance and the ordinances enacted with respect to the First Lien Bonds outstanding payable from the Gross Revenues (the "Prior Ordinances"), the Net Revenues actually derived from the System during any 12 consecutive months within the 18 months immediately preceding the date of the issuance of the Series 2007 Bonds, plus the estimated average increased annual Net Revenues to be received in each of the three succeeding years after the completion of the improvements to be financed by the Series 2007 Bonds: (i) will not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the Series 2007 Bonds and the Prior Bonds, as hereinafter defined, and (ii) will not be less than 115% of the maximum debt service in any succeeding year on the Series

2007 Bonds and the Prior Bonds. See "ADDITIONAL SECURITY FOR THE SERIES 2007 BONDS - Rate Covenant."

The Series 2007 Bonds will be dated, will mature, will bear interest and will be subject to redemption prior to maturity as more fully described on the cover page and under the heading "THE SERIES 2007 BONDS" herein. The Series 2007 Bonds initially will be maintained under a book-entry system. So long as the Series 2007 Bonds are maintained under a book-entry system, the manner of payment, the denominations, the transfer and exchange of ownership and the method of providing notice of redemption to the owners of the Series 2007 Bonds shall be determined as described under the "BOOK-ENTRY ONLY SYSTEM" herein. If the book-entry system is discontinued, principal of, interest, and premium, if any, on the Series 2007 Bonds will be payable by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (the "Paying Agent"), to the owners thereof at the addresses appearing in the books kept by United Bank, Inc., Charleston, West Virginia, as registrar (the "Registrar"). For further information describing the method of payment and other matters in the event the book-entry system is discontinued, see "THE SERIES 2007 BONDS" herein.

For a description of the exclusion of interest on the Series 2007 Bonds from gross income for federal and state income tax purposes, see "TAX MATTERS" herein.

The Town may issue additional bonds on a parity with the Series 2007 Bonds and the First Lien Bonds and senior and prior to the Second Lien Bonds for the purpose of financing the cost of the construction or acquisition of additions, improvements and betterments to the System and/or refunding one or more or all series of bonds subject, in each case, to certain tests and conditions provided for by the Ordinance. See "ADDITIONAL SECURITY FOR THE SERIES 2007 BONDS - Additional Parity Bonds."

The Series 2007 Bonds are offered when, as and if issued and received on behalf of the underwriter appearing on the cover page hereof (the "Underwriter"), subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of the legality by Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel. Jack H. Walters, Moorefield, West Virginia, will pass upon certain legal matters for the Town. Goodwin & Goodwin, LLP, Charleston, West Virginia, as counsel to the Underwriter, will pass upon certain legal matters for the Underwriter.

Brief descriptions of the Series 2007 Bonds, the System, the Town and certain provisions of the Ordinance and the Act, as defined in the Ordinance and hereinbefore, are set forth in this Official Statement, as well as other information contained in the appendices hereto. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Ordinance, provisions of the Act and other applicable laws of the State are qualified in their entirety by reference to each such document or law. References herein to the Series 2007 Bonds are qualified in their entirety by reference to the form thereof included in the Ordinance and the information with respect thereto included in the aforesaid documents. Capitalized terms used and not otherwise defined in this Official Statement shall have the respective meanings given them in the Ordinance. Copies of the Ordinance and other applicable documents may be obtained from the Town or, during the period of offering the Series 2007 Bonds, from the Underwriter.

FINANCING PLAN

The Series 2007 Bonds are being issued for the primary purpose of funding the design, acquisition and construction of certain additions, betterments and improvements to the Town's existing municipal waterworks system.

Sources and Uses of Funds

Sources of Funds:	
Principal Amount of Bonds	$3,155,000.00
Plus: Accrued Interest	6,321.98
Less: Original Issue Discount	(27,659.00)
Total Sources	$3,133,662.98
Uses of Funds:	
Deposit to the Series 2007 A Bonds Construction Fund	$2,698,616.79
Deposit to the Series 2007 A Bonds Reserve Account	194,347.50
Deposit to Series 2007 A Bonds Sinking Fund	111,018.21
Underwriter's Discount	78,875.00
Deposit to the Series 2007 A Bonds Costs of Issuance Fund (1)	50,805.48
Total Uses	$3,133,662.98

(1) Includes legal fees, printing costs and other miscellaneous expenses relating to the issuance of the Series 2007 Bonds.

THE SERIES 2007 BONDS

General

The Series 2007 Bonds shall be dated as of the date provided in a Supplemental Resolution and shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Series 2007 Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Series 2007 Bonds shall be in default, Series 2007 Bonds issued in exchange for Series 2007 Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Series 2007 Bonds surrendered. The Series 2007 Bonds will bear interest from their date, payable semiannually on each March 1 and September 1, commencing September 1, 2007, upon original issuance, at the rates per annum and will mature on the dates and in the amounts set forth on the cover page of this Official Statement.

The Series 2007 Bonds will be issued as fully registered bonds without coupons in denominations of $5,000 and integral multiples thereof for any year of maturity. The Series 2007 Bonds initially shall be maintained under a book-entry system; Beneficial Owners shall have no right to receive physical possession of the Series 2007 Bonds and payments of principal or

redemption price of and interest on the Series 2007 Bonds will be made as described herein under "BOOK-ENTRY ONLY SYSTEM." If the book-entry system is discontinued, interest on the Series 2007 Bonds will be payable by check or draft made payable and mailed to the owners thereof at the addresses appearing in the books kept by the Registrar as of the 15th day of the month preceding such interest payment date (the "Record Date"). If the book-entry system is discontinued, principal of and premium, if any, on the Series 2007 Bonds will be payable to the owner thereof upon surrender thereof at the office of the Paying Agent.

So long as the Series 2007 Bonds are maintained under a book-entry system, transfers of ownership interests in the Series 2007 Bonds will be made as described herein under "BOOK--ENTRY ONLY SYSTEM." If the book-entry system is discontinued, ownership of any Series 2007 Bond may be transferred upon surrender thereof to the Registrar, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or his duly authorized attorney or legal representative. Upon any such transfer of a Series 2007 Bond, there will be issued another Series 2007 Bond or Series 2007 Bonds, at the option of the transferee, of the same aggregate principal amount, series, maturity and interest rate as said Series 2007 Bond. For every exchange or transfer of Series 2007 Bonds, the Registrar may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. The party requesting such transfer shall pay any service charge of the Registrar and any applicable tax or other governmental charge.

Optional Redemption

The Series 2007 Bonds are subject to redemption at the option of the Town, prior to maturity, on or after March 1, 2017, in whole or in part at any time from amounts deposited with the Bond Commission by the Town or from other funds available therefore at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

If fewer than all of the Series 2007 Bonds shall be called for optional redemption, the particular maturities of the Series 2007 Bonds to be redeemed shall be selected by the Town in such manner as it shall determine. So long as the Series 2007 Bonds are maintained under a book-entry system, the selection of individual ownership interests in the Series 2007 Bonds to be credited with any partial redemption shall be made as described herein under "BOOK-ENTRY ONLY SYSTEM."

Mandatory Redemption

The Series 2007 Bonds maturing March 1, 2012, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2008, and on each March 1 thereafter to and including March 1, 2012, in annual principal amounts as follows:

Year	Amount
2008	$10,000
2009	40,000
2010	40,000
2011	45,000
2012 (Maturity)	45,000

The principal amount of Series 2007 Bonds maturing March 1, 2012, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2007 Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2007 Bonds maturing March 1, 2017, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2013, and on each March 1 thereafter to and including March 1, 2017, in annual principal amounts as follows:

Year	Amount
2013	$50,000
2014	50,000
2015	50,000
2016	55,000
2017 (Maturity)	55,000

The principal amount of Series 2007 Bonds maturing March 1, 2017, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2007 Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2007 Bonds maturing March 1, 2022, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2018, and on each March 1 thereafter to and including March 1, 2022, in annual principal amounts as follows:

Year	Amount
2018	$60,000
2019	60,000
2020	65,000
2021	65,000
2022 (Maturity)	70,000

The principal amount of Series 2007 Bonds maturing March 1, 2022, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2007 Bonds to be

redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2007 Bonds maturing March 1, 2027, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2023, and on each March 1 thereafter to and including March 1, 2027, in annual principal amounts as follows:

Year	Amount
2023	$75,000
2024	75,000
2025	80,000
2026	85,000
2027 (Maturity)	90,000

The principal amount of Series 2007 Bonds maturing March 1, 2027, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2007 Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2007 Bonds maturing March 1, 2030, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2028, and on each March 1 thereafter to and including March 1, 2030, in annual principal amounts as follows:

Year	Amount
2028	$ 95,000
2029	95,000
2030 (Maturity)	100,000

The principal amount of Series 2007 Bonds maturing March 1, 2030, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2007 Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2007 Bonds maturing March 1, 2042, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2031, and on each March 1 thereafter to and including March 1, 2042, in annual principal amounts as follows:

Year	Amount
2031	$105,000
2032	110,000
2033	120,000
2034	125,000
2035	130,000
2036	135,000
2037	145,000
2038	150,000
2039	160,000
2040	165,000
2041	175,000
2042 (Maturity)	180,000

The principal amount of Series 2007 Bonds maturing March 1, 2042, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2007 Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

Notice of Redemption

So long as the Series 2007 Bonds are maintained under a book-entry system, notice of the call for any redemption of the Series 2007 Bonds shall be given as described below under "BOOK-ENTRY ONLY SYSTEM." At any other time, notice to the registered owner of any redemption shall be given by the Registrar not less than 30 nor more than 60 days prior to the date fixed for redemption by registered or certified mail at the address appearing in the Register. Failure to receive such notice or any defect in the mailing thereof shall not affect the validity of any proceedings for the redemption of the Series 2007 Bonds; and failure to mail such notice shall not affect the validity of any such proceedings for any Series 2007 Bond with respect to which no such failure has occurred. Notice of redemption having been given in the manner hereinabove and in the Ordinance described and moneys necessary therefor having been deposited with the Paying Agent, the Series 2007 Bonds specified in such notice shall on the date fixed for redemption be deemed paid, and interest thereon shall cease to accrue.

BOOK-ENTRY ONLY SYSTEM

The information in this section has been obtained from sources that the Town and the Underwriter believe to be reliable, but neither the Town nor the Underwriter takes any responsibility for the accuracy thereof.

The Depository Trust Company

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Series 2007 Bonds. The Series 2007 Bonds will be issued as fully registered securities registered in the name of Cede & Co., DTC's partnership nominee. One fully registered

certificate of the Series 2007 Bonds will be issued for each maturity of the Series 2007 Bonds in principal amount equal to the aggregate principal amount of the Series 2007 Bonds of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants (the "Participants") deposit with DTC. DTC also facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as securities brokers and dealers, banks and trust companies, that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Ownership of Series 2007 Bonds

Purchases of the Series 2007 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2007 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2007 Bond (the "Beneficial Owner") is in turn to be recorded on the Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participants through which the Beneficial Owners entered into the transaction. Transfers of ownership interests in the Series 2007 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of the Beneficial Owners.

Beneficial Owners will not receive certificates representing their ownership interests in the Series 2007 Bonds except in the event that use of the book-entry system for the Series 2007 Bonds is discontinued under the circumstances described below under "Discontinuance of Book Entry System."

To facilitate subsequent transfers, Series 2007 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2007 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2007 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2007 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. If the consent or vote of DTC or Cede & Co. is requested, under its usual procedures, DTC will mail an Omnibus Proxy to the Town as soon as possible after the record date assigning Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2007 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

So long as a nominee of DTC is the registered owner of the Series 2007 Bonds, references herein to the Bondholders or the holders or owners of the Series 2007 Bonds shall mean DTC and shall not mean the Beneficial Owners of the Series 2007 Bonds. The Town, the Registrar and the Paying Agent will recognize DTC or its nominee as the holder of all of the Series 2007 Bonds for all purposes, including the payment of the principal or redemption price of and interest on the Series 2007 Bonds, as well as the giving of notices and any consent or direction required or permitted to be given to or on behalf of the Bondholders under the Ordinance. Neither the Town, the Registrar nor the Paying Agent will have any responsibility or obligation to Participants or Beneficial Owners with respect to payments or notices to Participants or Beneficial Owners.

Payments on and Redemption of Series 2007 Bonds

So long as the Series 2007 Bonds are held by DTC under a book-entry system, principal or redemption price of and interest payments on the Series 2007 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the date on which such principal or interest is payable in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on such date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," subject to any statutory or regulatory requirements as may be in effect from time to time, and will be the responsibility of such Participants and not of DTC, the Paying Agent or the Town. Payment of principal and interest to DTC is the responsibility of the Town or Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of Participants.

So long as the Series 2007 Bonds are held by DTC under a book-entry system, the Registrar will send any notice of redemption with respect to the Series 2007 Bonds only to Cede & Co. Any failure of DTC to advise any Direct Participant, or of any Direct Participant to notify any Indirect Participant or any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the proceedings for the redemption of the Series 2007 Bonds or of any other action premised on such notice. If fewer than all of the Series 2007 Bonds of any maturity are selected for redemption, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Any such selection of Direct Participants to which any such partial redemption will be credited will not be governed by the Ordinance and will not be made by the Town, the Registrar or the Paying Agent.

The Town, the Registrar and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Series 2007 Bonds paid to DTC or its nominee as the registered owner of the Series 2007 Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

DTC may charge the Participants a sum sufficient to cover any tax, fee or other governmental charge that may be imposed for every transfer and exchange of a beneficial interest in the Series 2007 Bonds, and the Participants may seek reimbursement therefor from the Beneficial Owners.

Discontinuance of Book-Entry Only System

DTC may resign or may be discharged by the Town as a securities depository for the Series 2007 Bonds and, in such event, the Town may discontinue the maintenance of the Series 2007 Bonds under a book-entry system or replace DTC with another qualified securities depository. Unless the Town appoints a securities depository to replace DTC, the Series 2007 Bonds held by DTC will be canceled and the Town will execute and the Registrar will authenticate and deliver Series 2007 Bonds in fully certificated form to the Participants shown on the records of DTC provided to the Registrar or, to the extent requested by any Participant, to the Beneficial Owners of the Series 2007 Bonds shown on the records of such Participant provided to the Registrar.

ADDITIONAL SECURITY FOR THE SERIES 2007 BONDS

The Series 2007 Bonds are special obligations of the Town and are payable as to principal, premium, if any, and interest solely from the sources described below. The Town is under no obligation to pay the Series 2007 Bonds except from said sources.

Outstanding Bonds

The Town has outstanding the following bonds payable from the Gross Revenues of the System that are on parity with the Series 2007 Bonds: The Town's Water Revenue Bonds, Series 1987 A, dated November 20, 1987, originally issued in the aggregate principal amount of $443,275, of which $372,106 is currently outstanding (the "Series 1987 A Bonds"), and the Town's Water Revenue Bonds, Series 1992 A, dated May 28, 1992, originally issued in the aggregate principal amount of $1,451,613, of which $1,297,618 is currently outstanding (the "Series 1992 A Bonds" and, together with the Series 1987 A Bonds, the "First Lien Bonds"). In addition, the Town has outstanding the following bonds payable from the Gross Revenues of the System that are junior and subordinate to the Series 2007 Bonds and the First Lien Bonds: The Town's Water Revenue Bonds, Series 1987 B, dated November 20, 1987, originally issued in the aggregate principal amount of $108,725, of which $57,224 is currently outstanding (the "Series 1987 B Bonds"), and the Town's Water Revenue Bonds, Series 1992 B, dated May 28, 1992, originally issued in the aggregate principal amount of $48,387, of which $31,017 is currently outstanding (the "Series 1992 B Bonds" and, together with the Series 1987 B Bonds, the "Second Lien Bonds") (collectively, the "Prior Bonds").

Sources of Payment

The payment of the debt service on the Series 2007 Bonds shall be secured forthwith equally and ratably by a first lien on and pledge of the Gross Revenues derived from the System, on parity with the First Lien Bonds, but senior and prior to the Second Lien Bonds, and any additional parity bonds that may hereafter be issued by the Town as permitted by the Ordinance, and the Series 2007 Bonds are also payable from the funds on deposit in the Series 2007 Bonds Sinking Fund and the Reserve Account therein. Gross Revenues derived from the System in an amount sufficient to pay the principal of, premium, if any, and interest on the Bonds and to make the payments into the Series 2007 Bonds Sinking Fund and all other payments provided for in the Ordinance, and the funds in the Series 2007 Bonds Sinking Fund and the Reserve Account therein are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Series 2007 Bonds as the same become due and for the other purposes provided in the Ordinance.

Rate Covenant

Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Recorder, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Town covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2007 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to, on a parity with or subordinate to the Series 2007 A Bonds, including the Prior Bonds.

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

Series 2007 Bonds Reserve Account

$194,347.50 of proceeds of the Series 2007 Bonds will be deposited in the Series 2007 Bonds Reserve Account, which will equal the maximum annual debt service on the Series 2007 Bonds (the "Series 2007 Bonds Reserve Requirement" or the "Series 2007 A Bonds Reserve Requirement").

In the event of a transfer from the Series 2007 Bonds Reserve Account to the Series 2007 Bonds Sinking Fund as aforesaid, the Town shall restore the balance to the Series 2007 Bonds Reserve Account in an amount up to the Series 2007 Bonds Reserve Requirement, and the Town shall replenish the Series 2007 Bonds Reserve Account with the first Net Revenues available after all required payments have been made in full in the order set forth in the Ordinance.

Application of Revenues

All Gross Revenues are to be deposited in the Revenue Fund established with First United Bank and Trust Bank, Moorefield, West Virginia, as the depository bank (the "Depository Bank"), for disposition in the following order of priority; **first**, from the monies in the Revenue Fund, on the first day of each month, simultaneously remit to the Commission (i) the amounts required by the Prior Ordinances to be deposited in the First Lien Bonds Sinking Funds for payment of interest on the First Lien Bonds; and (ii) beginning on the first day of that month which is 6 months prior to the first interest payment date on the Series 2007 A Bonds, apportion and set apart out of the Revenue Fund and deposit in the Series 2007 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 2007 A Bonds on the next ensuing semiannual interest payment date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2007 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date, and provided further, that the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2007 A Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2007 A Bonds deposited therein, if any, and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2007 A Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2007 A Bonds Sinking Fund; **second**, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) the amounts required by the Prior Ordinances to be deposited in the First Lien Bonds Sinking Funds for payment of principal on the First Lien Bonds; and (ii) for deposit in the Series 2007 A Bonds Sinking Fund (and in the Series 2007 A Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed) on the first day of each month, beginning on the first day of that month which is 12 months prior to the first principal payment or mandatory Redemption Date of the Series 2007 A Bonds, a sum equal to 1/12th of the amount (or 1/6th of the amount if the Series 2007 A Bonds mature semiannually rather than annually) of principal which will mature or be redeemed and become due on the Series 2007 A Bonds on the next ensuing principal payment or mandatory Redemption Date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2007 A Bonds Sinking Fund and the next ensuing principal payment or mandatory Redemption Date is less than or greater than 12 months (or 6 months if the Series 2007 A Bonds mature semiannually rather than annually), then such monthly payments shall be increased or decreased proportionately to provide, one month prior to the next ensuing principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2007 A Bonds Sinking Fund and not previously credited pursuant

to the preceding paragraph; **third**, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) the amounts required by the Prior Ordinances to be deposited in the First Lien Bonds Reserve Accounts for the First Lien Bonds; and (ii) for deposit in the Series 2007 A Bonds Reserve Account, an amount equal to the Series 2007 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2007 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2007 A Bonds Reserve Requirement; provided further, that if the amounts in the Series 2007 A Bonds Reserve Account, as a result of a decrease in value of the Series 2007 A Bonds Reserve Account below the Series 2007 A Bonds Reserve Account Requirement or any withdrawal from the Series 2007 A Bonds Reserve Account, the Issuer shall apply such monies for deposit into the Series 2007 A Bonds Reserve Act, beginning with the first full calendar month following the date on which the valuation of investments in the Series 2007 A Bonds Reserve Account results in a determination that the amount of monies and the value of the Qualified Investments deposited to the credit of the Series 2007 A Bonds Reserve Account is less than the Series 2007 A Bonds Reserve Requirement. Amounts in the Series 2007 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2007 A Bonds when due, when amounts in the Series 2007 A Bonds Sinking Fund are insufficient therefor and for no other purpose; **fourth**, on the first day of each month, transfer from the monies remaining in the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund (as previously set forth in the Prior Ordinances and not in addition thereto), a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII of the Ordinance. Subject to the restrictions contained in the Prior Ordinances, so long as the Prior Bonds are outstanding, withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, or improvements or extensions to the System; provided, that any deficiency in any Reserve Account, except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof, shall be promptly eliminated with monies from the Renewal and Replacement Fund. **fifth**, on the first day of each month, transfer from the Revenue Fund and pay to the Commission the amounts required by the Prior Ordinances to be deposited in the Second Lien Bonds Sinking Funds for payment of principal on the Second Lien Bonds; **sixth**, on the first day of each month, transfer from the Revenue Fund and pay to the Commission the amounts required by the Prior Ordinances to be deposited in the Second Lien Bonds Reserve Accounts; **seventh**, pay from the Revenue Fund current Operating Expenses of the System; and **eighth**, whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove provided, are current and there remains in the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by the Act, such excess shall be considered as surplus revenues ("Surplus Revenues"). Surplus Revenues may be used for any lawful purpose of the System.

Enforcement of Collections

The Town covenants in the Ordinance to diligently enforce and collect all fees, rates, 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, rates, rentals and other charges that shall become delinquent to the full extent permitted or authorized by the Act, or otherwise by the laws of the State. The Town further covenants and agrees in the Ordinance that it will, subject to applicable State law and regulations, and under such reasonable rules and regulations as may be prescribed by the Town, discontinue water services to all delinquent users, until such delinquent amounts, plus reasonable interest and penalty charges thereon, have been fully paid. (See "THE SYSTEM - Customer Statistics.")

Additional Parity Bonds

The Ordinance provides that so long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Ordinances shall be applicable. In addition, no additional Parity Bonds, as defined in the Ordinance, payable out of the Revenues of the System shall be issued after the issuance of any bonds pursuant to the Ordinance, except under the conditions and in the manner therein provided.

No such additional parity bonds shall be issued except for the purpose of financing the costs of design, acquisition or construction of additions, betterments or improvements to the System, refunding all or a portion of one or more series of Bonds issued pursuant hereto or the Prior Bonds, to pay claims which may exist against the revenues or facilities of the System, or all of such purposes.

No such additional parity bonds shall be issued at any time, however, unless and until there has been procured and filed with the Recorder a written statement by an Independent Accountant, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months within the 18 months immediately preceding the date of the actual issuance of such additional parity bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the date of issuance of such additional parity bonds, shall be not less than 115% of the Maximum Annual Debt Service on the following:

(1) The Series 2007 A Bonds then Outstanding;

(2) The Prior Bonds Outstanding;

(3) Any additional parity bonds theretofore issued pursuant to the provisions contained in the Ordinance then Outstanding; and

(4) The additional parity bonds then proposed to be issued.

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall

refer only to the increased Net Revenues estimated to be derived from the improvements to be financed by such additional parity bonds and any increase in rates enacted by the Town, the time for appeal of which shall have expired (without successful appeal) prior to the issuance of such additional parity bonds, and shall not exceed the amount to be stated in a certificate of the Independent Accountant, which shall be filed in the office of the Recorder prior to the issuance of such additional parity bonds.

The Net Revenues actually derived from the System during the 12 consecutive month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent Accountant, as stated in a certificate on account of increased rates, rentals, fees and charges for the System enacted by the Town, the time for appeal of which shall have expired (without successful appeal) prior to issuance of such additional parity bonds. Not later than simultaneously with the delivery of such additional parity bonds, the Town shall have entered into written contracts for the immediate design, construction or acquisition of such additions, extensions, betterments or improvements, if any, to the System which are to be financed by such additional parity bonds.

The term "Additional Parity Bonds," as used herein, shall be deemed to mean additional bonds issued under the provisions and within the limitations of this section, payable from the Gross Revenues of the System on a parity with the Series 2007 A Bonds and the Prior Bonds, and all the covenants and other provisions of the Ordinance (except as to details of such Additional Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Series 2007 A Bonds and the Prior Bonds and the Holders of any Additional Parity Bonds theretofore or subsequently issued from time to time within the limitations of and in compliance with the Ordinance. All the 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 and accounts created in the Ordinance required for and on account of such Additional Parity Bonds, in addition to the payments required for bonds theretofore issued pursuant to the Ordinance. No Additional Parity Bonds shall be valid unless authenticated pursuant to Section 3.03 of the Ordinance. Prior to such authentication, registration, if applicable, and delivery, the Registrar shall receive those documents prescribed by Section 3.12 of the Ordinance with respect to the Series 2007 A Bonds, modified as deemed necessary by the Registrar to reflect the issuance of such additional parity bonds.

The term "Additional Parity Bonds," as used herein, shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien on the Revenues of the System of which is subject to the prior and superior lien of the bonds on such Revenues. Any such subordinate bonds, notes, certificates or other obligations shall be payable from the Gross Revenues remaining after all payments required to be made pursuant to Section 4.03(1), (2) and (3) of the Ordinance have first been paid. The Town shall not issue any obligations whatsoever payable from the Revenues of the System, or any part thereof, which rank prior to or equally, as to lien and source of and security for payment from such Revenues, with the Series 2007 A Bonds except in the manner and under the conditions provided in this section.

No Additional Parity Bonds shall be issued at any time, however, unless all of the payments into the respective funds and accounts provided for in the Ordinance on account of the Bonds then Outstanding (excluding the Renewal and Replacement Fund) and the Prior Bonds, and any other payments provided for in the Ordinance, shall have been made in full as required to the date of delivery of the Additional Parity Bonds and the Town shall then be in full compliance with all the covenants, agreements and terms in the Ordinance and every ordinance supplemental thereto, or shall have fully corrected any delinquency or deficiency with respect to such payments and compliance. The Town may issue Additional Parity Bonds without compliance with any other conditions for the purpose of refunding prior to maturity any series of the Series 2007 A Bonds or portion thereof, provided that the annual debt service required on account of the refunding Bonds and the Series 2007 A Bonds which are not refunded shall not be greater in any year in which the Series 2007 A Bonds not refunded and the refunding Bonds are to be Outstanding than the annual debt service required in such year if the Series 2007 A Bonds to be refunded were not so refunded and provided further, that the final maturity of such Additional Parity Bonds does not exceed that of the refunded bonds.

PROJECT AND SYSTEM BACKGROUND

The Project

The project will improve the overall reliability of the Town's entire waterworks system by providing additional tank storage, improved core distribution network, increased water treatment production capacity and improved treatment production reliability. The project consists of a new 1.5 million MG storage tank, 5,850 feet of new 12-inch pipe to meet high demands from the two poultry facilities and to meet fire demands, and to increase the pumping capacity of the two existing plants from 2.5 mgd to 3.0 mgd.

Water Usage

Annual Usage History by Source - City of Moorefield

Year Ended June 30	Residential Gallons	Commercial Gallons	Industrial Gallons	Resale Gallons	Total
2006	40,237	34,650	848,623	96,939	1,020,449
2005	39,150	33,839	860,266	95,473	1,028,728
2004	39,640	33,536	877,983	87,823	1,038,982
2003	40,479	60,940	812,532	79,185	993,136
2002	41,121	32,383	795,770	60,330	929,604

Daily Consumption History by Source (MGD)- Town of Moorefield

Year Ended June 30	Residential Gallons	Commercial Gallons	Industrial Gallons	Resale Gallons	Total
2006	110	95	2,325	266	2,796
2005	108	93	2,357	262	2,820
2004	109	92	2,405	241	2,847
2003	111	167	2,226	217	2,721
2002	113	89	2,180	165	2,547

Customer History

Customer Count by Type - Town of Moorefield

Year Ended June 30	Residential	Commercial	Resale	Industrial	Total
2006	866	256	4	22	1,148
2005	842	254	4	22	1,122
2004	822	252	4	23	1,101
2003	841	250	4	24	1,119
2002	845	251	4	24	1,124

Major Users

Customer	7/1/05 to 6/30/06 Consumption (gallons)	Revenue
Pilgrim's Pride	721,493,000	$591,368.29
Hardy Co. PSD & RDA	96,939,060	76,875.42
American Woodmark	14,247,000	11,866.09
Arlington Manor MH Park	2,574,190	3,235.35
Lee Street Apartments	1,192,900	2,341.33

Water Source

The Town currently uses the following three sources for its supply:

Source	Gallons/day	Pumping Method
South Fork, South Branch of the Potomac River	1,500,000	Submersible and vertical turbine pumps
South Fork, South Branch of the Potomac River	1,500,000	Submersible and vertical turbine pumps
Surface Water - South Branch of the Potomac River (This station is only used as needed.)	Varies	Submersible

Wholesale Contracts

None

Certain Officers and Personnel

Six (6) people are employed in the Water Department. None of the Town employees are union members. The Town considers its historical and current relationship with employees assigned to the system to be good.

Rates

The current schedule of rates and charges has been in place since November 21, 2005. The Council passed an ordinance modifying the previously prevailing schedule of rates and charges on May 18, 2005, which rates were further modified by the West Virginia Public Service Commission in Case No. 05-0882-W-MA. The following table sets forth the current rates and charges. Tier One went into effect on November 21, 2005. Tier Two rates will go into effect when the project is substantially complete.

TIER ONE RATES

APPLICABILITY

Applicable within the entire territory served

AVAILABILITY

Available for general domestic, commercial, industrial and sale for resale water service

RATES - (Customers with metered water supply)

RESIDENTIAL CUSTOMERS

Service Charge $5.00 per month

Usage Charge $2.86 per 1,000 gallons water usage

COMMERCIAL CUSTOMERS

Service Charge $5.00 per month

Usage Charge $1.28 per 1,000 gallons water usage

INDUSTRIAL CUSTOMERS

Service Charge $5.00 per month

Usage Charge $0.84 per 1,000 gallons water usage

SALES FOR RESALE SERVICE

All water for resale to the Hardy County Public Service District or the Hardy County RDA will be billed in accordance with the approved rate of $0.79 per 1,000 gallons used per month.

DELAYED PAYMENT PENALTY

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

TAP FEE

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

A tap fee of $398.00 will be charged to all customers who apply for service outside of a certificate proceeding before the Commission for each new tap to the system.

Commercial fees are based upon the size of the meter with a schedule of fees available in the Town Office for the general public.

RECONNECTION

$25.00

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

RETURNED CHECK CHARGE

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

LEAK ADJUSTMENT INCREMENT

$0.18 per 1,000 gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible leakage on customer's side of the meter. This rate shall be applied to all such consumption above customer's historical average usage.

MUNICIPAL EXCISE TAX SURCHARGE

The Municipality listed below, having imposed a public utility tax computed on the basis of two percent of revenues from water sales by the Town of Moorefield's water utility within the corporate limits of such municipalities, shall be billed as a "surcharge" to the customers receiving service within said corporate limits.

The water utility is required to collect the utility tax pursuant to West Virginia Code 8-13-5a.

Customers receiving water service within the corporate limits of the specified municipality shall pay a surcharge based on the following surcharge rates:

Municipality of Moorefield - Utility Excise surcharge rate – Two percent (2%) of the gross amount billed.

TIER TWO RATES

APPLICABILITY

Applicable within the entire territory served

AVAILABILITY

Available for general domestic, commercial, industrial and sale for resale service

RATES

RESIDENTIAL CUSTOMERS

Service Charge - $5.00 per month
Usage Charge - $3.45 per 1,000 gallons water usage

COMMERCIAL CUSTOMERS

Service Charge - $5.00 per month
Usage Charge - $1.54 per 1,000 gallons water usage

INDUSTRIAL CUSTOMERS

Service Charge - $5.00 per month
Usage Charge - $1.01 per 1,000 gallons water usage

SALES FOR RESALE SERVICE

All water for resale to the Hardy County PSD or the Hardy County RDA will be billed in accordance with the approved rate of $0.96 per 1,000 gallons used per month.

DELAYED PAYMENT PENALTY

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

TAP FEE

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

A tap fee of $398.00 will be charged to all customers who apply for service outside of a certificate proceeding before the Commission for each new tap to the system.

Commercial fees are based upon the size of the meter with a schedule of fees available in the Town Office for the general public.

RECONNECTION - $25.00

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

RETURNED CHECK CHARGE

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

LEAK ADJUSTMENT INCREMENT

$0.18 per 1,000 gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible leakage on customer's side of the meter. This rate shall be applied to all such consumption above customer's historical average usage.

MUNICIPAL EXCISE TAX SURCHARGE

The Municipality listed below, having imposed a public utility tax computed on the basis of two percent of revenues from water sales by the Town of Moorefield's water utility within the corporate limits of such municipalities, shall be billed as a "surcharge" to the customers receiving service within said corporate limits. The water utility is required to collect the utility tax pursuant to West Virginia Code 8-13-5a. Customers receiving water service within the corporate limits of the specified municipality shall pay a surcharge based on the following surcharge rates: Municipality of Moorefield - Utility Excise surcharge rate – Two percent (2%) of the gross amount billed.

Public Service Commission

The tariffs, rates, joint rates, tolls and schedules of municipality utilities are not subject to the general authority of the West Virginia Public Service Commission (the "PSC") to enforce, originate, establish, change and promulgate rates and charges. However, such rates and charges shall be just, reasonable, applied without unjust discrimination or preference, and based primarily on the costs of providing such services. Municipal utility rates and charges shall become effective not sooner than forty-five (45) days after adoption. Notice of intent to effect a rate change shall be specified on the monthly bill sent to the customers. Such rates and charges shall be filed with the PSC, together with such information showing the basis of such rates and charges and such other information as the PSC considers necessary.

The PSC shall review and approve or modify such rates upon the filing of a petition, within thirty (30) days of the adoption of the ordinance changing said rates or charges, (1) by any customer aggrieved by the changed rates or charges, who presents to the PSC a petition signed by not less than twenty-five percent (25%) of the customers served by a municipal utility or (2) by any customer or group of customers who presents a petition alleging discrimination between said customer or group of customers and other customers of the municipal utility, accompanied by evidence of discrimination. Upon the filing of a petition or sufficient showing of discrimination, the PSC shall suspend the adoption of the rate change contained in the ordinance for a period of one hundred twenty (120) days from the date said rates or charges would otherwise go into effect or until an order approving, disapproving or modifying the rate change is issued.

The PSC shall have general supervision of all municipal utilities. The PSC may ascertain the quality and quantity of water and shall have power to order such improvements as will best promote the public interests.

Billing and Collections

The Town renders a monthly bill to commercial and other high volume customers of the System. Residential customers are billed once every three months. Payments are due 20 days after the billing date. If a bill remains unpaid beyond the due date, a 10 percent penalty is added to the delinquent account and delinquency procedures are initiated, including the mailing of termination notices and termination of service 30 days after the initial due date. Service on a delinquent account remains terminated until payment of the account is made. A reconnection charge of $25.00 is required to reinstate a previously delinquent account.

The Town has a policy of writing off accounts determined to be uncollectible.

Deferred payment plans are available for any residential customer who can demonstrate inability to pay a System bill in full and that service termination would be dangerous to such customer's health or safety.

System Budget and Expenditures

The Department Heads prepare draft budgets for System operations within their respective departments. The Town budget is compiled from these draft budgets and submitted to the Council on or before March 10th of each year. The budget is required by Charter to indicate operating expenditures and capital expenditures proposed for the ensuing fiscal year, detailed by office, department and agency in terms of their respective work programs, and the method of financing such expenditures. The total of proposed expenditures may not exceed the total estimated income. Prior to March 28th of each year, but following a public hearing, City Council is required to adopt the budget. Supplemental appropriations, or a reduction of appropriations, may be made by Council upon certification by the Mayor of an excess or insufficiency of revenues.

No payment may be made except in accordance with appropriations set forth in the budget. As a matter of practice, the Department Heads approve purchase orders and payments are approved by the Council prior to disbursement of funds. Separate accounting records are kept by the Water Department.

Method of Accounting

The Town maintains its accounts pertaining to the system on an accrual basis and in accordance with the guidelines of the West Virginia Public Service Commission. The records of the Town for the fiscal years ended June 30 of each of the past three years have been audited and are available for public inspection at the Town.

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Summary of Historical Revenues and Expenses

Summary Statement of Income and Expense
(Fiscal Year Ended June 30)

	Audited FY 2003	Audited* FY 2004	Audited FY 2004	Unaudited FY 2005	Unaudited FY 2006	Projected FY 2007
Operating Revenues	835,378	876,032	876,032	885,875	962,969	1,242,829
Interest / Other Income	19,715	63,574	11,710	13,206	16,640	11,710
Total Cash	855,093	939,606	887,742	899,081	979,609	1,254,539
Less: O & M Expenses	622,060	684,441	684,441	685,601	673,697	776,606
Cash Available for Debt Service	233,033	255,165	203,301	213,480	305,912	477,933
Debt Service Requirements	162,053	161,289	161,289	162,072	163,811	358,811
Remaining Cash	70,980	93,876	42,012	51,408	142,101	119,122
Debt Service Coverage	144%	158%	126%	132%	187%	133%

* Includes non-operating income received due to Hurricane Isabel flooding event at Water Plant

** Calculated by the Town

Retirement System

The Town is a member of the Public Employees Retirement System of the State of West Virginia. The Town contributes 10.5% of covered employees' gross wages. Employee contributions are 4.5% of their wages.

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ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each fiscal year the amounts payable from Revenues as principal of and interest on the Series 2007 Bonds and the Prior Bonds.

DATE	1987 Series A	Subordinate 1987 Series B	1992 Series A	Subordinate 1992 Series B	2007 Series A	Total
06-30-2007	38,634.24	2,787.84	118,315.78	1,240.68	-	160,978.54
06-30-2008	38,634.27	2,787.84	118,315.78	1,240.68	161,727.50	322,706.07
06-30-2009	38,634.24	2,787.84	118,315.80	1,240.68	191,317.50	352,296.06
06-30-2010	38,634.26	2,787.84	118,315.80	1,240.68	189,677.50	350,656.08
06-30-2011	38,634.25	2,787.84	118,315.79	1,240.68	193,037.50	354,016.06
06-30-2012	38,634.24	2,787.84	118,315.80	1,240.68	191,192.50	352,171.06
06-30-2013	38,634.24	2,787.84	118,315.80	1,240.68	194,347.50	355,326.06
06-30-2014	38,634.24	2,787.84	118,315.80	1,240.68	192,197.50	353,176.06
06-30-2015	38,634.24	2,787.84	118,315.80	1,240.68	190,047.50	351,026.06
06-30-2016	38,634.25	2,787.84	118,315.80	1,240.68	192,897.50	353,876.07
06-30-2017	38,634.25	2,787.84	118,315.80	1,240.68	190,532.50	351,511.07
06-30-2018	38,634.24	2,787.84	118,315.80	1,240.68	193,167.50	354,146.06
06-30-2019	38,634.25	2,787.84	118,315.80	1,240.68	190,407.50	351,386.07
06-30-2020	38,634.24	2,787.84	118,315.79	1,240.68	192,647.50	353,626.05
06-30-2021	38,634.24	2,787.73	118,315.80	1,240.68	189,657.50	350,635.95
06-30-2022	38,634.25	2,787.72	118,315.80	1,240.68	191,667.50	352,645.95
06-30-2023	38,634.24	2,787.72	118,315.76	1,240.68	193,447.50	354,425.90
06-30-2024	38,634.25	2,787.72	118,315.80	1,240.68	189,885.00	350,863.45
06-30-2025	38,634.24	2,787.72	118,315.79	1,240.68	191,322.50	352,300.93
06-30-2026	38,634.26	2,787.72	118,315.80	1,240.68	192,522.50	353,500.96
06-30-2027	16,097.60	1,161.55	118,315.80	1,240.68	193,485.00	330,300.63
06-30-2028	-	-	118,315.80	1,240.68	194,210.00	313,766.48
06-30-2029	-	-	118,315.80	1,240.68	189,555.00	309,111.48
06-30-2030	-	-	118,315.79	1,240.68	189,900.00	309,456.47
06-30-2031	-	-	108,456.15	1,137.29	190,000.00	299,593.44
06-30-2032	-	-	-	-	189,750.00	189,750.00
06-30-2033	-	-	-	-	194,250.00	194,250.00
06-30-2034	-	-	-	-	193,250.00	193,250.00
06-30-2035	-	-	-	-	192,000.00	192,000.00
06-30-2036	-	-	-	-	190,500.00	190,500.00
06-30-2037	-	-	-	-	193,750.00	193,750.00
06-30-2038	-	-	-	-	191,500.00	191,500.00
06-30-2039	-	-	-	-	194,000.00	194,000.00
06-30-2040	-	-	-	-	191,000.00	191,000.00
06-30-2041	-	-	-	-	192,750.00	192,750.00
06-30-2042	-	-	-	-	189,000.00	189,000.00
Total	788,782.53	56,917.64	2,948,035.23	30,913.61	6,680,600.00	10,505,249.01

SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE

The following is a summary of certain provisions of the Ordinance. The summary does not purport to be a comprehensive statement of the terms and provisions thereof, for which reference is made to the complete text of the Ordinance, copies of which may be obtained from the Underwriter.

Application of Series 2007 Bond Proceeds

The amount of the Series 2007 Bond proceeds representing accrued and capitalized interest on the Series 2007 Bonds from the date thereof to the date of delivery to the Underwriter shall be deposited in the Series 2007 Bonds Sinking Fund established with the Bond Commission and used to pay interest on the Series 2007 Bonds next coming due.

An amount of the proceeds of the Series 2007 Bonds equal to the Series 2007 Bonds Reserve Requirement shall be remitted to the Bond Commission for deposit in the Series 2007 Bonds Reserve Account.

The balance of the proceeds of the Series 2007 Bonds shall be deposited with the Depository Bank in the Construction Trust Fund and shall be drawn out, used and applied by the Town solely to pay Costs of the Project at the written direction of the Town. Moneys in the Construction Trust Fund may be invested in accordance with the Ordinance; subject however, to applicable yield restrictions as may be in effect under the Code. After the payment of all Costs of the Project, the Town shall transfer all excess proceeds to the Series 2007 Bonds Sinking Fund. All bond 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 Series 2007 Bonds from which such proceeds are derived.

Application of System Revenues

The Gross Revenues derived from the operation of the System and all parts thereof are to be deposited in the Revenue Fund established with the Depository Bank.

System Revenues; Flow of Funds

All Gross Revenues are to be deposited in the Revenue Fund established with First United Bank and Trust Bank, Moorefield, West Virginia, as the depository bank (the "Depository Bank"), for disposition in the following order of priority; **first**, from the monies in the Revenue Fund, on the first day of each month, simultaneously remit to the Commission (i) the amounts required by the Prior Ordinances to be deposited in the First Lien Bonds Sinking Funds for payment of interest on the First Lien Bonds; and (ii) beginning on the first day of that month which is 6 months prior to the first interest payment date on the Series 2007 A Bonds, apportion and set apart out of the Revenue Fund and deposit in the Series 2007 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 2007 A Bonds on the next ensuing semiannual interest payment date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2007 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such

monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date, and provided further, that the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2007 A Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2007 A Bonds deposited therein, if any, and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2007 A Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2007 A Bonds Sinking Fund; **second**, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) the amounts required by the Prior Ordinances to be deposited in the First Lien Bonds Sinking Funds for payment of principal on the First Lien Bonds; and (ii) for deposit in the Series 2007 A Bonds Sinking Fund (and in the Series 2007 A Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed) on the first day of each month, beginning on the first day of that month which is 12 months prior to the first principal payment or mandatory Redemption Date of the Series 2007 A Bonds, a sum equal to 1/12th of the amount (or 1/6th of the amount if the Series 2007 A Bonds mature semiannually rather than annually) of principal which will mature or be redeemed and become due on the Series 2007 A Bonds on the next ensuing principal payment or mandatory Redemption Date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2007 A Bonds Sinking Fund and the next ensuing principal payment or mandatory Redemption Date is less than or greater than 12 months (or 6 months if the Series 2007 A Bonds mature semiannually rather than annually), then such monthly payments shall be increased or decreased proportionately to provide, one month prior to the next ensuing principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings credited to the Series 2007 A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph; **third**, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) the amounts required by the Prior Ordinances to be deposited in the First Lien Bonds Reserve Accounts for the First Lien Bonds; and (ii) for deposit in the Series 2007 A Bonds Reserve Account, an amount equal to the Series 2007 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2007 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2007 A Bonds Reserve Requirement; provided further, that if the amounts in the Series 2007 A Bonds Reserve Account, as a result of a decrease in value of the Series 2007 A Bonds Reserve Account below the Series 2007 A Bonds Reserve Account Requirement or any withdrawal from the Series 2007 A Bonds Reserve Account, the Issuer shall apply such monies for deposit into the Series 2007 A Bonds Reserve Act, beginning with the first full calendar month following the date on which the valuation of investments in the Series 2007 A Bonds Reserve Account results in a determination that the amount of monies and the value of the Qualified Investments deposited to the credit of the Series 2007 A Bonds Reserve Account is less than the Series 2007 A Bonds Reserve Requirement. Amounts in the Series 2007 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2007 A Bonds when due, when amounts in the Series 2007 A Bonds Sinking Fund are insufficient therefor and for no other purpose; **fourth**, on the first day of each month, transfer from the monies remaining in the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund (as previously set forth in the Prior Ordinances and not in addition thereto), a sum equal to

2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII of the Ordinance. Subject to the restrictions contained in the Prior Ordinances, so long as the Prior Bonds are outstanding, withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, or improvements or extensions to the System; provided, that any deficiency in any Reserve Account, except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof, shall be promptly eliminated with monies from the Renewal and Replacement Fund. **fifth**, on the first day of each month, transfer from the Revenue Fund and pay to the Commission the amounts required by the Prior Ordinances to be deposited in the Second Lien Bonds Sinking Funds for payment of principal on the Second Lien Bonds; **sixth**, on the first day of each month, transfer from the Revenue Fund and pay to the Commission the amounts required by the Prior Ordinances to be deposited in the Second Lien Bonds Reserve Accounts; **seventh**, pay from the Revenue Fund current Operating Expenses of the System; and **eighth**, whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove provided, are current and there remains in the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by the Act, such excess shall be considered as surplus revenues. Surplus Revenues may be used for any lawful purpose of the System.

Investments

The Town shall invest and reinvest, and shall instruct the Bond Commission and the Depository Bank to invest and reinvest, any moneys held as a part of the funds and accounts created by this Ordinance in Qualified Investments, as defined in the Ordinance, 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 Town shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Town may make any and all investments permitted by this section through the bond department of the Depository Bank. The Depository Bank shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

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

(A) Qualified Investments acquired for the Series 2007 Bonds Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 5 years from the date of such investment.

(B) The Town shall, or shall cause the Bond Commission, at least annually to transfer from the Series 2007 Bonds Reserve Account and the Series 2007 Bonds Sinking Fund to the Town, any earnings on the moneys deposited therein and any other funds in excess of the Series 2007 Bonds Reserve Requirement; provided, however, that there shall at all times remain on deposit in the Series 2007 Bonds Reserve Account an amount at least equal to the Series 2007 Bonds Reserve Requirement.

(C) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, including accrued interest. If amounts on deposit in the Series 2007 Bonds Reserve Account shall, at any time, be less than the Series 2007 Bonds Reserve Requirement, the Bond Insurer, if any, shall be notified immediately of such deficiency and such deficiency shall be made up from the first available Net Revenues after required deposits to the Series 2007 Bonds Sinking Fund and other sinking funds and payment of operating expenses and otherwise in accordance with the Ordinance.

(D) All amounts representing accrued and capitalized interest shall be held by the Bond Commission and pledged solely to the payment of interest on the Series 2007 Bonds and invested only in Governmental Obligations, as set forth in the Ordinance.

(E) Notwithstanding the foregoing, all moneys deposited in the Series 2007 Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia Investment Management Board pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended.

General Covenants

Enforcement of Collections. The Town has covenanted diligently to enforce and collect all fees, rates, 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, rates, rentals or other charges that become delinquent to the full extent permitted or authorized by State law. The Town will shut off and discontinue the supplying of water of the System for the nonpayment of the rates or charges for said water service.

Completion, Operation and Maintenance. The Town 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 the Ordinance.

Sale of the System. The System may be sold, mortgaged, leased or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to defease the pledge created by the Ordinance. The proceeds from such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Bond Commission for deposit in the Series 2007 Bonds Sinking Fund and the sinking funds for the Prior Bonds, and otherwise as prescribed by Article X of the Ordinance. Any balance remaining after such defeasance shall be remitted to the Town by the Bond Commission unless necessary for the payment of other obligations if the Town payable out of the Gross Revenues of the System.

The foregoing provision notwithstanding, the Town shall have and hereby reserve the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor is not in excess of $50,000, the Town shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Town may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Revenue Fund. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of $50,000 but not in excess of $200,000, the Town shall first, determine upon consultation with the Consulting Engineers, that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and may then, if it be so advised, by resolution duly adopted, approve and authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. Payment of such proceeds into the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said fund by other provisions of the Ordinance.

No sale, lease or other disposition of the properties of the System shall be made by the Town if the proceeds to be derived therefrom shall be in excess of $200,000 and insufficient to pay the Series 2007 Bonds and the Prior Bonds, without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of 60% in principal amount of Bonds then Outstanding. The Town shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. The Town shall not issue any other obligations whatsoever payable from the Gross Revenues of the System, which rank prior to, or equally, as to lien on and source of and security for payment from the Gross Revenues with, the Series 2007 Bonds, provided that additional bonds on parity with the Series 2007 Bonds may be issued as provided in the Ordinance. See "SECURITY FOR THE SERIES 2007 BONDS-Additional Parity Bonds." All obligations issued by the Town payable from the Gross Revenues of the System, except such additional parity bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from Gross Revenues and in all other respects, to the Series 2007 Bonds.

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, except with respect to pari passu additional bonds, being on parity with the lien of the Series 2007 Bonds and the interest thereon, upon any of the income and Revenues of the System pledged for payment of the Series 2007 Bonds and the interest thereon in the Ordinance, or upon the System or any part thereof.

Insurance and Bonds. The Town will carry, with a reputable insurance carrier or carriers, procure and maintain insurance and bonds and worker's compensation coverage with a reputable insurance carrier or carriers or bonding company or companies covering the following risks and in the following amounts:

A. FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In 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 damages or destroyed portion.

B. PUBLIC LIABILITY INSURANCE, with limits of not less than is customarily carried by municipalities of equivalent size with respect to works and properties similar to the System to protect the Town from claims for bodily injury and/or death and from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Town from claims arising out of operation or ownership of motor vehicles of or for the System.

C. WORKERS' COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT OR COMPLETION BONDS, such bonds to be in the amounts of not less than 100% of the amount of any construction contract and to be required of each contractor dealing directly with the Town and such payment bonds will be filed with the Clerk of the County Commission of the County in which such work is to be performed prior to commencement of construction of any additions, betterments or improvements to the System in compliance with West Virginia Code Section 38-2-39.

D. FLOOD INSURANCE, to extent available at reasonable cost to the Town.

E. BUSINESS INTERRUPTION INSURANCE, to the extent available at reasonable cost to the Town.

F. FIDELITY BONDS will be provided as to every officer and employee of the Town having custody of the Gross Revenues or of any other funds of the System, in an amount at least equal to the total funds in the custody of any such person at any one time.

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 operation of the System.

No Competing Franchise. To the extent legally allowable, 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 whatsoever, for the providing of any services which would compete with services provided by the System.

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 registered owner of the Bonds 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 current generally accepted accounting principles to the extent allowable under and in accordance with the rules and regulations of the PSC and the Act. The Town shall maintain separate control accounting records. Subsidiary records as may be required shall be kept in the manner and on the forms, books and along with 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 Council shall be reported to such agent of the Town as the Council shall direct.

The Council shall file with the Original Purchaser, and shall mail in each year to any registered owner of the Bonds requesting the same, an annual report within thirty (30) days following the date of receipt of the final audit containing a statement of Revenues, operating expenses and Net Revenues derived from the System, and a balance sheet statement showing all deposits in the funds and accounts provided for in the Ordinance and the status of all said funds.

The Town shall also, at least once a year, cause the books, records and accounts of the System to be audited by independent certified public accountants (or if required by State law, by the State Tax Department) and shall mail upon request, and make available generally, the report of said independent certified public accountants (or State Tax Department), or a summary thereof, to any registered owner of the Bonds, and shall file said report with the Underwriter.

Restrictions as to Arbitrage Bonds. 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 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 Internal Revenue Code of 1986, as amended, and any regulations thereunder, and an authorized officer of the Town shall deliver his certificate, based upon this covenant, with regard thereto to the Underwriter.

Operating Budget. The Council shall annually, at least forty-five (45) days preceding the beginning of each fiscal year, prepare and adopt by resolution a detailed budget of the estimated expenditures for operation and maintenance of the System during the succeeding fiscal year. No expenditures for the operation and maintenance of the System shall be made in any fiscal year in excess of the amounts provided therefor in such budget until the Council shall have approved such expenditure by a resolution duly adopted. The Town shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Underwriter and shall make available such budgets and resolutions to the Underwriter and to any registered owner of the Bonds or anyone acting for and in behalf of such registered owner who requests the same.

Amendment. No materially adverse modification or amendment to the Ordinance or any supplemental resolution may be made without the written consents of the registered owners of sixty percent in aggregate principal amount of the Series 2007 Bonds then outstanding, provided that no modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Series 2007 Bond without the express written consent of the registered owner thereof. No amendment or modification shall be made that would reduce the percentage of Series 2007 Bonds required for consent to any such amendment or modification. No amendment that adversely affects the security for the Series 2007 Bonds or the rights of the Insurer may be effected without the consent of the Insurer, such consent not to be unreasonably withheld.

Defeasance. If the Town shall pay or cause to be paid, or there shall otherwise be paid, to the registered owners of all Series 2007 Bonds the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Ordinance, then the respective pledges of the Gross Revenues and other moneys and securities pledged under the Ordinance, and all covenants, agreements and other obligations of the Town on behalf of the registered owners of the Series 2007 Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 2007 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 with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All Series 2007 Bonds shall, prior to the maturity thereof, be deemed to have been paid if there shall have been deposited with the Bond Commission or an escrow trustee 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 with the Bond Commission or an escrow trustee at the same or earlier time, shall be sufficient, to pay when due the principal of and interest due and to become due on the Series 2007 Bonds on and prior to the maturity dates thereof. Neither securities nor moneys so deposited with the Bond Commission or an escrow trustee 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 respective principal of and interest on the Series 2007 Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Bond Commission or said

escrow trustee, 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 the Series 2007 Bonds on and prior to such maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Town as received by the Bond Commission or said escrow trustee, free and clear of any trust, lien or pledge. With respect to defeasance, the term securities includes only U.S. Treasury Certificates, Notes or Bonds (including U.S. Treasury Certificates, State and Local Government Series—"SLGS"), direct obligations of the U.S. Treasury that have stripped by the Treasury itself, CATS, TIGRS and similar securities and obligations issued by agencies and backed by the full faith and credit of the U.S.

Default and Remedies

Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2007 Bonds:

A. If default occurs in the due and punctual payment of the principal of or interest on any Bond;

B. If default occurs in the Town's observance of any of the covenants, agreements or conditions on its part in the Ordinance or any supplemental resolution or in the Series 2007 Bonds, and such default shall have continued for a period of thirty (30) days after the Town shall have been given written notice of such default and requiring the same to be remedied to the Town by any Bondholder or any Insurer;

C. 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; or

D. If default occurs with respect to the Prior Bonds or the Prior Ordinances.

Remedies. Upon the happening and continuance of any Event of Default, any registered owner of the Bonds may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights, and, in particular (i) bring suit for any unpaid principal or interest then due; (ii) by mandamus or other appropriate proceedings enforce all rights of the registered owners of the Bonds, including the right to require the Town to perform its duties under the Act and the Ordinance; (iii) bring suit upon the Bonds; (iv) by action at law or bill in equity require the Town to account as if it were the trustee of an express trust for the registered owners of the Bonds; and (v) by action or bill in equity enjoin any acts in violation of the Ordinance or the rights of the registered owners of the Bonds, provided that all rights and remedies of the Holders of the Series 2007 Bonds shall be on parity with the Holders of the First Lien Bonds and senior and prior to the Second Lien Bonds.

Appointment of Receiver. If there be any Event of Default existing and continuing, any registered owner of the Bonds shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Town, with power to charge rates, fees and other charges sufficient to provide for the payment of operating expenses of the System, the payment of the Bonds and the deposits into the

funds and accounts established with respect to the Bonds and to apply such rates, fees, charges or other Gross Revenues in conformity with the provisions of the 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 the System and shall hold, operate, maintain, manage and control such facilities and in the name of the Town exercise all the rights and powers of the Town with respect to said facilities as the Town itself might do.

Whenever all that is due upon the Bonds and interest thereon and under any covenants of the Ordinance for reserve, sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Gross Revenues of the System shall have been paid and made good, and all defaults under the provisions of the 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 default, any registered owner of the Bonds shall have the same right to secure the further appointment of a receiver.

Such receiver, in the performance of the powers conferred upon him, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the order and decrees of such court and may be removed thereby, and a successor receiver may be appointed in the discretion of such court. Nothing contained in the Ordinance 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 in the Ordinance.

Any receiver appointed as provided in the Ordinance shall hold and operate the System in the name of the Town and for the joint protection and benefit of the Town and registered owners of the Bonds. Such receiver shall have no power to sell, assign, mortgage, or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System for the sole purpose of the protection of both the Town and registered owners of the Bonds, and the curing and making good of any default under the provisions of the Ordinance, and the title to and ownership of the 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.

TAX MATTERS

In the opinion of Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel, under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, interest on the Series 2007 Bonds is excludable from gross income of the holders thereof for federal income tax purposes and will not be treated as a preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations. It should be noted, however, that for purposes of computing the alternative minimum tax on corporations, such interest is taken into account in determining adjusted current earnings.

The Town has designated the Series 2007 Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code. In the opinion of Bond Counsel, the Series 2007 Bonds are "qualified tax-exempt obligations" and the provisions of the Code which disallow all deductibility of interest expense incurred by financial institutions on debt incurred or continued to carry most tax-exempt obligations does not apply to the Series 2007 Bonds; accordingly, 80% of the interest expense of a financial institution incurred for the purpose of purchasing or carrying the Series 2007 Bonds is deductible for federal income tax purposes.

As shown on the cover page of this Official Statement, the initial public offering price of the Series 2007 Bonds maturing on March 1, 2042 (the "Discount Bonds"), are less than the respective amounts payable on such Discount Bonds at maturity. The difference between the initial public offering price at which such Discount Bonds were sold and the amount payable at maturity constitutes an original issue discount ("OID"). In the case of any original Holder of a Discount Bond, the amount of the OID which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the Holder in determining, for Federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity).

Interest in the form of OID is treated as compounding semiannually on days which are determined by reference to the maturity date of the Discount Bonds. The amount of OID, which is treated as having accrued in respect of a Discount Bond for any particular semiannual compounding period, is equal to the difference between the product of (a) one-half of the yield for the Discount Bonds (adjusted as necessary for an initial short period) and (b) the tax basis of the Discount Bond during such period. For purposes of the preceding sentence, the tax basis of a Discount Bond, if held by an original purchaser, can be determined by adding to the initial public offering price of such Discount Bond the OID that is treated as having accrued during all prior semiannual compounding periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, the OID that would have accrued for that semiannual compounding period for Federal income tax purposes is to be apportioned in equal amount among the days in such compounding period. Holders of Discount Bonds should consult their own tax advisors with respect to the determination for Federal income tax purposes of OID accrued upon sale or redemption of such Discount Bonds, and with respect to the state and local tax consequences of owning such Discount Bonds.

The Code imposes certain requirements as a condition to exclusion from gross income of the interest on the Series 2007 Bonds for federal income tax purposes, including a requirement that the Town rebate to the United States Treasury certain arbitrage earnings. The Town will covenant or certify that it will comply with all applicable requirements of the Code. Failure of the Town to comply with such requirements could result in interest on the Series 2007 Bonds being included in gross income for federal income tax purposes from the date of issue.

Ownership of the Series 2007 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, property and casualty insurance companies, S corporations with "excess net passive income," individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2007 Bonds.

Bond Counsel is further of the opinion that under the laws of the State of West Virginia, as presently written and applied, the Series 2007 Bonds and the interest thereon are exempt from direct taxation by the State of West Virginia or any county, municipality, political subdivision, or agency thereof.

APPROVAL OF LEGALITY

Legal matters incident to the authorization, sale and issuance of the Series 2007 Bonds are subject to the unqualified approving opinion of Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel. Jack H. Walters, Moorefield, West Virginia, Counsel for the Town, will pass upon certain legal matters for the Town. Goodwin & Goodwin, LLP, Charleston, West Virginia, as Counsel to the Underwriter, will pass upon certain legal matters for the Underwriter.

ABSENCE OF MATERIAL LITIGATION

There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body, now pending or, to the best knowledge of the Town, threatened or affecting the Town (or, to the Town's knowledge, any basis therefor) wherein an unfavorable decision, ruling or finding would have a material adverse effect on the Town's financial position or on the validity of the Series 2007 Bonds, the Ordinance or any agreement to which the Town is a party and which is a part of the issuance of the Series 2007 Bonds.

NEGOTIABLE INSTRUMENTS

Pursuant to State law, the Series 2007 Bonds are and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia. See "THE SERIES 2007 BONDS - General."

UNDERWRITING

The Series 2007 Bonds are being purchased by the Underwriter named on the cover of this Official Statement. The Purchase Contract provides that the Underwriter will purchase all the Series 2007 Bonds, if any are purchased, at a purchase price equal to the initial public offering prices set forth on the cover page hereof, less an Underwriter's discount of $78,875.00, plus accrued interest. The obligation to make such purchase is subject to the terms and conditions set forth in the Purchase Contract, including the approval of certain legal matters by counsel. The Underwriter may change the initial public offering prices from time to time. The Underwriter may offer and sell Series 2007 Bonds to certain dealers (including dealers depositing Series 2007 Bonds into investment trusts) and certain dealer banks acting as agents at prices lower than the public offering prices stated on the cover page hereof.

FINANCIAL STATEMENTS

Included herein as Appendix B are the general purpose financial statements and the combined and individual fund and account group financial statements of the Town (which include the System) as of and for the twelve-month period ended June 30, 2004, and the report with respect

to the audited financial statements as of and for the twelve-month period ended June 30, 2004, dated September 9, 2005, of the West Virginia State Auditor.

CONTINUING DISCLOSURE

The Town has agreed in the Ordinance to execute and deliver contemporaneously with the issuance of the Series 2007 Bonds a certificate or agreement to undertake for the benefit of the Registered Owners of the Series 2007 Bonds to provide certain financial and operating information of the System (the "Annual Information") not later than one hundred eighty (180) days following the end of the Town's fiscal year, commencing in 2007, and to provide the Annual Information to each National Recognized Municipal Securities Information Repository ("National Repository") and any State Information Depository ("State Depository") and to provide notice of the occurrence of the enumerated events to each National Repository or the Municipal Securities Rulemaking Board ("MSRB") and to any State Depository. The form of a Continuing Disclosure Agreement between the Town and United Bank, Inc., as Disclosure Agent, is included herein as Appendix D.

This continuing disclosure obligation is being undertaken by the Town to assist the Underwriter in complying with Rule 15c2-12 promulgated by the SEC. The Town has agreed to give notice in a timely manner to each National Repository, or the MSRB, and to each State Depository of any failure to supply the requested information. However, any such failure will not constitute a default under the terms of the Series 2007 Bonds. Registered Owners may contact the Recorder of the Town of Moorefield at 206 Winchester Avenue, Moorefield, West Virginia 26836 for more information.

MISCELLANEOUS

The foregoing summaries, explanations and quotations do not purport to be complete and are expressly made subject to the exact provisions of the complete documents. Purchasers are referred to the Act and the Ordinance for full and complete statements of their provisions.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representation of fact. This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or owners of any of the Series 2007 Bonds. The Town has authorized the execution and distribution of this Official Statement.

TOWN OF MOOREFIELD, WEST VIRGINIA

By: /s/ Gary Stalnaker
Mayor

APPENDIX A

GENERAL INFORMATION REGARDING HARDY COUNTY (WEST VIRGINIA)

Hardy County was created from Hampshire County in 1786, and named for Samuel Hardy, who was a well-known Virginian. Lost River State Park and part of the George Washington National Forest are in the eastern section of the County.

The County Seat of Hardy County is Moorefield. Moorefield was chartered in 1777 and named for Conrad Moore, who owned the land upon which the town was formed. It is a Class III city with a population of 2,408.

Hardy County has five magisterial districts which are Capon, Lost River, Moorefield, South Fork and Old Fields.

Population

People – Quick Facts	*Hardy County*	*West Virginia*
Population, 2005	13,287	1,816,856
Population, % change April 2000-July 2005	4.9%	0.5%
Population, 2000	12,669	1,808,344
Population, % change, 1990-2000	15.4%	0.8%
Persons under 5 years old, %, 2004	5.4%	5.6%
Persons under 18 years old, %, 2004	22.3%	21.2%
Persons 65 years old and over, %, 2004	15.0%	15.3%
Female persons, %, 2004	50.1%	51.1%
White persons, %, 2004	97.6%	95.2%
Black persons, %, 2004	1.8%	3.2%
American Indian & Alaska Native, %, 2004	0.1%	0.2%
Asian persons, %, 2004(a)	0.1%	0.6%
Native Hawaiian & Other Pacific Islanders, %, 2004	0.0%	0.0%
Persons reporting 2 or more races, %, 2004	0.4%	0.8%
Persons of Hispanic or Latino origin, %, 2004	1.0%	0.8%
White persons, not Hispanic, % 2004	96.7%	94.4%

Source: US Census

Labor Force

	2001	2002	2003	2004	2005
Civilian Labor Force	6,780	6,960	7,000	6,880	7,060
Employment	6,530	6,670	6,690	6,600	6,800
Unemployment	260	290	310	280	260
Unemployment Rate	3.8	4.1	4.4	4.0	3.7

Source: Bureau of Employment Programs

Top Ten Employers – Hardy County
March 2006

1. Pilgrim's Pride Corporation of West Virginia
2. American Woodmark Corporation
3. Hardy County Board of Education
4. Wal-Mart Associates, Inc.
5. CPBEC, Inc.
6. South Branch Inn, Inc.
7. Summit Financial Group, Inc.
8. Eastern West Virginia Community & Technical College
9. E.A. Hawse Continuous Care Center
10. Carmir, Inc.

Source: Bureau of Employment Programs

Income

Total Personal Income (2004)	$296,723,000
Per Capita Personal Income (2004)	$22,551

Household Income (2000)	Number	Percentage
Less than $10,000	741	6%
$10,000 to $14,999	434	3%
$15,000 to $24,999	803	6%
$25,000 to $34,999	867	7%
$35,000 to $49,999	1,025	8%
$50,000 to $74,999	862	7%
$75,000 to $99,999	269	2%
$100,000 to $149,000	153	1%
$150,000 or more	54	0%

Source: Bureau of Employment Programs

WV Bureau of Economics Facts 1994-2004

Per Capita Personal Income

In 2004 Hardy County had a per capita personal income (PCPI) of $22,551. This PCPI ranked 28th in the state and was 87% of the state average ($25,792), and 68% of the national average ($33,050). The 2004 PCPI reflected an increase of 5.4% from 2003. The 2003-2004 state change was 5.2% and the national change was 5.0%. In 1994 the PCPI of Hardy County was $16,583 and ranked 18th in the state. The 1994-2004 average annual growth rate of PCPI was 3.1 %. The average annual growth rate for the state was 4.1% and for the nation it was 4.1 %.

Total Personal Income

In 2004 Hardy County had a total personal income (TPI) of $296,723,000. The TPI ranked 38th in the state and accounted for 0.6% of the state total. In 1994 the TPI of Hardy County was $193,460,000 and ranked 39th in the state. The 2004 TPI reflected an increase of 6.2% from 2003. The 2003-2004 state

change was 5.3% and the national change was 6.0%. The 1994-2004 average annual growth rate of TPI was 4.4 %. The average annual growth rate for the state was 4.1% and for the nation was 5.2%.

Components of Total Personal Income

Total personal income includes net earnings by place of residence; dividends, interest, and rent; and personal current transfer receipts received by the residents of Hardy. In 2004 net earnings accounted for 67.0 percent of TPI (compared with 67.9 in 1994); dividends, interest, and rent were 11.8 percent (compared with 15.7 in 1994); and personal current transfer receipts were 21.2 percent (compared with 16.4 in 1994). From 2003 to 2004 net earnings increased 7.4 percent; dividends, interest, and rent increased 0.8 percent; and personal current transfer receipts increased 5.6 percent. From 1994 to 2004 net earnings increased on average 4.2 percent each year; dividends, interest, and rent increased on average 1.4 percent; and personal current transfer receipts increased on average 7.1 percent.

Earnings by Place of Work

Earnings of persons employed in Hardy increased from $222,076,000 in 2003 to $242,193,000 in 2004, an increase of 9.1 percent. The 2003-2004 state change was 6.3 percent and the national change was 6.3 percent. The average annual growth rate from the 1994 estimate of $142,639 to the 2004 estimate was 5.4 percent. The average annual growth rate for the state was 3.8 percent and for the nation was 5.5 percent.

Source: Bureau of Economic Analysis

Housing

Single-family new house construction permits:

Year	# of Buildings	Average Cost
2000	102	$59,600
2001	98	$53,400
2002	115	$69,800
2003	118	$86,300
2004	117	$136,800

Average household size in Hardy County	2.42
Median household income in 2000	$31,846
Median house value in 2000	$74,700
Median monthly rent in 2000	$375
Median monthly costs for houses with a mortgage in 2000	$639

Fair market rent in 2006 for a 1-bedroom apartment in Hardy County is $465 a month.

Fair market rent for a 2-bedroom apartment in $522 a month and for a 3-bedroom apartment is $684 a month.

Housing units in structures:

- One, detached: 5,159
- One, attached: 99
- Two: 42
- 3 or 4: 86
- 5 to 9: 65
- 10 to 19: 47
- 20 or more: 8
- Mobile homes: 1,537

Education

There are five public schools located in Hardy County. They include East Hardy Early/Middle School, East Hardy High School, Moorefield Elementary School, Moorefield High School and Moorefield Middle School.

Current college students: 345

People 25 years old or older with high school degree or higher: 70.3%

People 25 years old or older with bachelor's degree or higher: 9.4%

Source: Hardy County Board of Education

Natural Forests

The Monongahela National Forest cover an extensive area of the State and includes many interesting sights as follows: Seneca Rocks, Spruce Knob, Smoke Hole Caverns, Otter Creek, Laurel Fork, Cranberry Wilderness, Cranberry Glades, Cranberry Mountain Nature Center, Seneca Shadows Campground, Stuart Recreation Area, Gaudineer Scenic Area, Lake Sherwood Recreation Area, Highland Scenic Highway, Spruce Knob Lake Recreation Complex, Lake Buffalo Impoundment, and Summit Lake Recreation Complex.

George Washington National Forest extends into West Virginia with the majority of acreage located in Virginia. Approximately 104,866 acres of the Forest are present in the state. The forest extends into Hampshire, Hardy, and Pendleton counties of West Virginia.

Public Recreation Areas

Potomac River is formed from the junction of the North and South Branches near Green Spring, Hampshire County; the mouth of the river flows into the Chesapeake Bay.

North Branch of the Potomac River has its source near Fairfax Stone, which marks the corners of Preston, and Tucker Counties; the mouth junctions with the South Branch of the Potomac near Green Spring, Hampshire County.

South Branch of the Potomac River has its source located near Hightown, Highland County, Virginia; the mouth is formed in junction with the North Branch of the Potomac River near Green Spring, Hampshire County.

Crime – 2004

- Murders: 0
- Rapes: 0
- Robberies: 0
- Assaults: 6
- Burglaries: 8
- Thefts: 4
- Auto thefts: 1

Source: www.city-data.com

Climate

Temperature (Degree F) Mean Annual Average:		51
January Averages:	Low: 19	High: 40
July Averages:	Low: 58	High: 84

Source: Bureau of Employment Programs

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APPENDIX B

FINANCIAL STATEMENTS

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AUDIT REPORT OF
MOOREFIELD, WEST VIRGINIA
A CLASS III MUNICIPALITY IN HARDY COUNTY
For the Fiscal Year Ended June 30, 2004

AUDIT REPORT OF
MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

This audit has been conducted pursuant to the authority and duty of the State Auditor as Chief Inspector and Supervisor of Public Offices to conduct an annual inspection of all political subdivisions of the State of West Virginia and any agency created by these subdivisions. This power is granted by West Virginia Code §6-9-1 et seq.

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
SCHEDULE OF FUNDS INCLUDED IN REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

GOVERNMENTAL FUND TYPES

MAJOR FUNDS

General
Coal Severance Tax

ENTERPRISE FUND TYPE

MAJOR FUNDS

Water
Sewerage
Park

NONMAJOR FUNDS

Special Revenue Funds

Special Levy Streets
Special Levy Parks
Sidewalk Construction
Southfork Watershed
Police Drug Seizure
Park Paving
Pool Renovation
"Fema"

Capital Projects Funds

Flood Levy
Innskeep Hall Renovation
North Moorefield Drainage

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
TABLE OF CONTENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Page
INTRODUCTORY SECTION	
Municipal Officials	1
Financial Section	
Independent Auditor's Report	2-3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	4-5
Statement of Activities	6
Fund Financial Statements:	
Balance Sheet-Governmental Funds	7
Reconciliation of Balance Sheet-Governmental Funds to the Statement of Net Assets	8
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	9-10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	12
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Coal Severance Tax Fund	13
Statement of Net Assets - Proprietary Funds	14-15
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	16
Statement of Cash Flows - Proprietary Funds	17-18
Notes to the Financial Statements	19-34
Accompanying Information	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	35-36
Schedule of Findings and Responses	37-38

INTRODUCTORY SECTION

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
MUNICIPAL OFFICIALS
For the Fiscal Year Ended June 30, 2004

OFFICE	NAME	TERM
	Elective	
Mayor:	Larry P. Snyder	07-01-01 / 06-30-05
Recorder:	Phyllis Sherman	07-01-03 / 06-30-07
Council Members:	Beverly Baker	07-01-01 / 06-30-05
	Marshall F. Combs	07-01-03 / 06-30-07
	Carlton Hilliard	07-01-03 / 06-30-07
	Larry D.Kuykendall	07-01-03 / 06-30-07
	Steven L. Wilson	07-01-01 / 06-30-05
	Appointive	
Treasurer:	Phyllis Sherman	
Municipal Attorney:	Walters, Krauskopf and Baker	

FINANCIAL SECTION

State of West Virginia
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council
Municipality of Moorefield
Moorefield, West Virginia 26836

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Moorefield, West Virginia (the Municipality), as of and for the year ended June 30, 2004, which collectively comprise the Municipality's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the entity's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

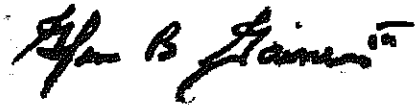
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Moorefield, West Virginia, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and Coal Severance Tax Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2005 on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Municipality has not presented the management's discussion and analysis that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Respectfully submitted,



Glen B. Gainer III
West Virginia State Auditor

September 9, 2005

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
STATEMENT OF NET ASSETS
June 30, 2004

	Total Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 498,869	$ 167,643	$ 666,512
Investments	415,597	384,170	799,767
Receivables:			
Accounts	--	160,817	160,817
Taxes	11,034	--	11,034
Inventory, at cost	--	27,469	27,469
Restricted assets:			
Regular account	--	108,301	108,301
Reserve account	--	209,102	209,102
Renewal and replacement	--	185	185
Reserve for construction	--	344,254	344,254
Capital assets:			
Land	22,455,088	169,617	22,624,705
Buildings	4,543,845	44,971	4,588,816
Structures and improvements	--	2,916,204	2,916,204
Vehicles	99,019	--	99,019
Transmission and distribution	--	1,692,314	1,692,314
Machinery and equipment	177,059	10,055,731	10,232,790
Construction in progress	--	90,056	90,056
Less: accumulated depreciation	(363,578)	(3,674,725)	(4,038,303)
Other debits:			
Preliminary survey costs	--	4,134	4,134
Unamortized bond discount	--	21,659	21,659
Total assets	$ 27,836,933	$ 12,721,902	$ 40,558,835

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
STATEMENT OF NET ASSETS
June 30, 2004

	Total Government		
	Governmental Activities	Business-type Activities	Total
Current liabilities payable from current assets:			
Accounts payable	$ 15,251	$ 41,028	$ 56,279
Leases payable	3,835	10,886	14,721
Compensated absences payable	--	29,589	29,589
Current liabilities payable from restricted assets:			
Bonds payable	--	119,357	119,357
Noncurrent liabilities:			
Bonds payable	--	3,202,035	3,202,035
Notes payable	--	71,294	71,294
Compensated absences payable	44,858	--	44,858
Total liabilities	63,944	3,474,189	3,538,133
NET ASSETS			
Invested in capital assets (net of related debt)	26,907,598	7,890,596	34,798,194
Restricted for:			
Debt service	--	661,842	661,842
Unrestricted	865,391	695,275	1,560,666
Total net assets	27,772,989	9,247,713	37,020,702
Total liabilities and net assets	$ 27,836,933	$ 12,721,902	$ 40,558,835

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2004

		Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
					Total Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions / Programs							
Governmental activities:							
General government	$ 227,470	$ 87	$ --	$ --	$ (227,383)	$ --	$ (227,383)
Public safety	305,674	23,492	--	--	(282,182)	--	(282,182)
Streets and transportation	258,232	--	--	--	(258,232)	--	(258,232)
Health and sanitation	1,500	--	--	--	(1,500)	--	(1,500)
Culture and recreation	101,608	--	--	--	(101,608)	--	(101,608)
Social services	6,008	--	--	--	(6,008)	--	(6,008)
Capital projects	45,261	--	--	--	(45,261)	--	(45,261)
Total governmental activities	945,753	23,579	--	--	(922,174)	--	(922,174)
Business type activities:							
Water Fund	605,821	552,760	1,589	--	--	(51,472)	(51,472)
Sewerage Fund	929,150	926,336	1,560	--	--	(1,254)	(1,254)
Park Fund	107,522	27,844	--	13,200	--	(66,478)	(66,478)
Total business type activities	1,642,493	1,506,940	3,149	13,200	--	(119,204)	(119,204)
Total government	$ 2,588,246	$ 1,530,519	$ 3,149	$ 13,200	(922,174)	(119,204)	(1,041,378)
General revenues:							
Ad valorem property taxes					548,373	--	548,373
Business & occupation tax					--	--	--
Alcoholic beverages tax					31,939	--	31,939
Utility services tax					178,581	--	178,581
Hotel occupancy tax					28,807	--	28,807
Animal tax					1,166	--	1,166
Gas and oil severance tax					747	--	747
Other taxes					1,318	--	1,318
Coal severance tax					4,974	--	4,974
Licenses and permits					16,528	--	16,528
Intergovernmental:					--	--	--
State					17,510	--	17,510
Unrestricted investment earnings					10,343	22,063	32,406
Refunds					1,645	--	1,645
Reimbursement					5,570	--	5,570
Contributions from other entities					14,280	--	14,280
Miscellaneous					63,699	--	63,699
Transfers					(48,500)	48,500	--
Total general revenues and transfers					876,980	70,563	947,543
Change in net assets					(45,194)	(48,641)	(93,835)
Net assets - beginning					27,818,183	9,297,943	37,116,126
Net assets - ending					$ 27,772,989	$ 9,249,302	$ 37,022,291

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2004

	General	Coal Severance Tax	Other nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Current:				
Cash and cash equivalents	$ 227,184	$ 1,825	$ 269,860	$ 498,869
Investments	--	--	415,597	415,597
Receivables:				
Taxes	7,356	--	3,678	11,034
Total assets	$ 234,540	$ 1,825	$ 689,135	$ 925,500
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	14,565	686	--	15,251
Leases payable	3,835	--	--	3,835
Deferred revenues:				
Taxes	7,356	--	3,678	11,034
Total liabilities	25,756	686	3,678	30,120
Fund balances:				
Unreserved, reported in:				
General fund	208,784	--	--	208,784
Special revenue funds	--	1,139	390,176	391,315
Capital projects funds	--	--	295,281	295,281
Total fund balances	208,784	1,139	685,457	895,380
Total liabilities and fund balances	$ 234,540	$ 1,825	$ 689,135	$ 925,500

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
RECONCILIATION OF BALANCE SHEET -GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2004

Total fund balances on the governmental fund's balance sheet	$	895,380
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore not reported in the funds.		27,275,011
Accumulated depreciation assessed in governmental activities are not reported in the funds.		(363,578)
General property tax revenues are not available to fund current year expenditures and therefore are deferred in the funds.		11,034
Compensated absences are not due and payable in the current period and therefore are not reported in the funds		(44,858)
Net assets of governmental activities	$	27,772,989

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2004

	General	Coal Severance Tax	Other nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Ad valorem property taxes	$ 355,743	$ --	$ 181,596	$ 537,339
Alcoholic beverages tax	31,939	--	--	31,939
Utility services tax	178,581	--	--	178,581
Hotel occupancy tax	28,807	--	--	28,807
Animal tax	1,166	--	--	1,166
Gas and oil severance tax	747	--	--	747
Other taxes	1,318	--	--	1,318
Coal severance tax	--	4,974	--	4,974
Licenses and permits	16,528	--	--	16,528
Intergovernmental:				
State	--	--	17,510	17,510
Charges for services	87	--	--	87
Fines and forfeits	23,492	--	--	23,492
Interest and investment earnings	1,170	--	9,173	10,343
Refunds	--	--	1,645	1,645
Reimbursements	1,150	--	4,420	5,570
Contributions and donations	14,280	--	--	14,280
Miscellaneous	63,699	--	--	63,699
Total revenues	718,707	4,974	214,344	938,025
EXPENDITURES				
Current:				
General government	174,629	--	--	174,629
Public safety	299,242	--	--	299,242
Streets and transportation	192,832	8,417	60,085	261,334
Health and sanitation	1,500	--	--	1,500
Culture and recreation	49,577	--	47,742	97,319
Social services	6,008	--	--	6,008
Capital projects	--	--	45,261	45,261
Total expenditures	723,788	8,417	153,088	885,293
Excess (deficiency) of revenues over (under) expenditures	(5,081)	(3,443)	61,256	52,732

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2004

	General	Coal Severance Tax	Other nonmajor Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)				
Transfers in	$ --	$ --	$ 1,000	$ 1,000
Transfers (out)	(1,000)	--	(48,500)	(49,500)
Total other financing sources (uses)	(1,000)	--	(47,500)	(48,500)
Net change in fund balances	(6,081)	(3,443)	13,756	4,232
Fund balances - beginning	214,865	4,582	671,701	891,148
Fund balances - ending	$ 208,784	$ 1,139	$ 685,457	$ 895,380

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2004

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	$	4,232
Capital outlays are reported as an expenditure in the governmental funds but are considered an asset at the government-wide level. This is the amount of capital assets that were purchased during the fiscal year.		44,269
Capital outlays are reported as an expenditure in the governmental funds. In the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense charged during the year.		(59,871)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		11,034
Some expenses reported in the statement of activities related to compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds (Note II.B).		(44,858)
Change in net assets of governmental activities	$	(45,194)

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual Modified Accrual Basis	Adjustments Budget Basis	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
REVENUES						
Taxes:						
Ad valorem property taxes	$ 349,109	349,109	$ 355,743	$ --	$ 355,743	$ 6,634
Alcoholic beverages tax	20,000	20,000	31,939	--	31,939	11,939
Utility services tax	162,500	162,500	178,581	26,900	205,481	42,981
Hotel occupancy tax	3,200	3,200	28,807	--	28,807	25,607
Animal tax	700	700	1,166	--	1,166	466
Gas and oil severance tax	900	900	747	--	747	(153)
Other taxes	--	--	1,318	--	1,318	1,318
Licenses and permits	12,997	12,997	16,528	--	16,528	3,531
Charges for services	1,300	1,300	87	--	87	(1,213)
Fines and forfeits	13,150	13,150	23,492	--	23,492	10,342
Interest and investment earnings	3,700	3,700	1,170	--	1,170	(2,530)
Refunds	28,560	28,560	--	--	--	(28,560)
Reimbursements	--	--	1,150	--	1,150	1,150
Contributions and donations	--	--	14,280	--	14,280	14,280
Miscellaneous	10,000	10,000	63,699	--	63,699	53,699
Total revenues	606,116	606,116	718,707	26,900	745,607	139,491
EXPENDITURES						
Current:						
General government	172,038	217,638	174,629	(9,312)	165,317	52,321
Public safety	308,839	342,039	299,242	--	299,242	42,797
Streets and transportation	190,401	204,671	192,832	--	192,832	11,839
Health and sanitation	1,500	1,500	1,500	--	1,500	--
Culture and recreation	49,838	49,838	49,577	--	49,577	261
Social services	13,500	13,500	6,008	--	6,008	7,492
Total expenditures	736,116	829,186	723,788	(9,312)	714,476	114,710
Excess (deficiency) of revenues over (under) expenditures	(130,000)	(223,070)	(5,081)	36,212	31,131	254,201
OTHER FINANCING SOURCES (USES)						
Transfers (out)	--	--	(1,000)	--	(1,000)	(1,000)
Total other financing sources (uses)	--	--	(1,000)	--	(1,000)	(1,000)
Net change in fund balances	(130,000)	(223,070)	(6,081)	36,212	30,131	253,201
Fund balances - beginning	130,000	223,070	214,865	(17,812)	197,053	(26,017)
Fund balances - ending	$ --	$ --	$ 208,784	$ 18,400	$ 227,184	$ 227,184

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - COAL SEVERANCE TAX FUND
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual Modified	Adjustments Budget	Actual Amounts Budget	Variance with Final Budget Positive
	Original	Final	Accrual Basis	Basis	Basis	(Negative)
REVENUES						
Taxes:						
Coal severance tax	$ 4,500	$ 4,500	$ 4,974	$ --	$ 4,974	$ 474
Total revenues	4,500	4,500	4,974	--	4,974	474
EXPENDITURES						
Current:						
Streets and transportation	4,700	9,082	8,417	1,713	10,130	(1,048)
Total expenditures	4,700	9,082	8,417	1,713	10,130	(1,048)
Excess (deficiency) of revenues over (under) expenditures	(200)	(4,582)	(3,443)	(1,713)	(5,156)	(574)
Fund balances - beginning	200	4,582	4,582	2,399	6,981	2,399
Fund balances - ending	$ --	$ --	$ 1,139	$ 686	$ 1,825	$ 1,825

The notes to the financial statements are an integral part of this statement

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2004

	Business-type Activities - Enterprise Funds			
	Sewer Fund	Water Fund	Park Fund	Totals
ASSETS				
Current:				
Cash and cash equivalents	$ 28,685	$ 120,640	$ 18,318	$ 167,643
Investments	--	360,541	23,629	384,170
Receivables:				
Accounts	77,250	83,567	--	160,817
Due from:				
Other funds	680	--	--	680
Inventory, at cost	11,365	16,104	--	27,469
Total current assets	117,980	580,852	41,947	740,779
Restricted:				
Regular account	25,819	82,482	--	108,301
Reserve account	44,133	164,969	--	209,102
Renewal and replacement	185	--	--	185
Reserve for construction	344,254	--	--	344,254
Total restricted assets	414,391	247,451	--	661,842
Capital assets:				
Land	10,054	110,459	49,104	169,617
Buildings	--	--	44,971	44,971
Structures and improvements	676,418	2,239,786	--	2,916,204
Transmission and distribution	--	1,692,314	--	1,692,314
Machinery and equipment	6,194,112	3,512,239	349,380	10,055,731
Construction in progress	90,056	--	--	90,056
Less: accumulated depreciation	(2,101,269)	(1,371,450)	(202,006)	(3,674,725)
Total capital assets (net of accumulated depreciation)	4,869,371	6,183,348	241,449	11,294,168
Other debits:				
Preliminary survey costs	4,134	--	--	4,134
Unamortized bond discount	13,066	8,593	--	21,659
Total other debits	17,200	8,593	--	25,793
Total assets	$ 5,418,942	$ 7,020,244	$ 283,396	$ 12,722,582

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2004

	Business-type Activities - Enterprise Funds			
	Sewer Fund	Water Fund	Park Fund	Totals
LIABILITIES				
Current liabilities payable from current assets:				
Accounts payable	$ 21,402	$ 14,452	$ 5,174	$ 41,028
Leases payable	9,331	1,555	--	10,886
Compensated absences payable	11,046	18,543	--	29,589
Due to:				
Other funds	--	680	--	680
Total current liabilities payable from current assets	41,779	35,230	5,174	82,183
Current liabilities payable from restricted assets:				
Revenue bonds payable	93,904	25,453	--	119,357
Total current liabilities payable from restricted assets	93,904	25,453	--	119,357
Bonds payable (Net of current portion and unamortized issuance costs)	1,389,610	1,812,425	--	3,202,035
Notes payable	71,294	--	--	71,294
Total noncurrent liabilities	1,460,904	1,812,425	--	3,273,329
Total liabilities	1,596,587	1,873,108	5,174	3,474,869
NET ASSETS				
Invested in capital assets (net of related debt)	3,305,232	4,343,915	241,449	7,890,596
Restricted for debt service	414,391	247,451	--	661,842
Unrestricted	102,732	555,770	36,773	695,275
Total net assets	3,822,355	5,147,136	278,222	9,247,713
Total liabilities and net assets	$ 5,418,942	$ 7,020,244	$ 283,396	$ 12,722,582

The notes to the financial statements are an integral part of this statement.

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2004

	Business-type Activities - Enterprise Funds			
	Sewer Fund	Water Fund	Park Fund	Totals
Operating revenues:				
Sales and services to customers	$ 518,235	$ 870,713	$ 27,844	$ 1,416,792
Discount and penalties	8,449	3,760	--	12,209
Miscellaneous	26,076	51,863	--	77,939
Total revenues	552,760	926,336	27,844	1,506,940
Operating expenses:				
Personal services	233,634	340,870	18,333	592,837
Contractual services	39,336	4,511	256	44,103
Administrative and general	23,602	69,479	9,203	102,284
Miscellaneous	3,558	--	--	3,558
Materials and supplies	36,030	108,522	26,584	171,136
Utilities	22,891	115,672	14,720	153,283
Depreciation	143,641	106,830	19,717	270,188
Maintenance	65,015	45,085	18,709	128,809
Amortization	6,929	302	--	7,231
Total operating expenses	574,636	791,271	107,522	1,473,429
Operating income (loss)	(21,876)	135,065	(79,678)	33,511
Nonoperating revenues (expenses):				
Interest revenue	9,388	11,710	965	22,063
Interest and fiscal charges	(32,774)	(137,879)	--	(170,653)
Operating grants	1,589	1,560	--	3,149
Total nonoperating revenues (expenses)	(20,208)	(124,609)	965	(143,852)
Income (loss) before operating transfers and contributions	(42,084)	10,456	(78,713)	(110,341)
Capital contributions	--	--	13,200	13,200
Transfers in	--	--	48,500	48,500
Change in net assets	(42,084)	10,456	(17,013)	(48,641)
Net assets at beginning of year	3,866,028	5,136,680	295,235	9,297,943
Net assets at end of year	$ 3,823,944	$ 5,147,136	$ 278,222	$ 9,249,302

The notes to the financial statements are an integral part of this statement

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
STATEMENT OF CASH FLOWS- PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2004

	Business-type Activities - Enterprise Funds			
	Sewer Fund	Water Fund	Park Fund	Totals
Cash flows from operating activities:				
Cash received from customers	$ 550,099	$ 917,140	$ 27,844	$ 1,495,083
Cash paid for goods and services	(195,967)	(345,968)	(70,466)	(612,401)
Cash paid to employees	(233,856)	(340,617)	(18,333)	(592,806)
Net cash provided (used) by operating activities	120,276	230,555	(60,955)	289,876
Cash flows from noncapital financing activities:				
Operating grant	1,589	1,560	--	3,149
Transfers (in)	--	--	48,500	48,500
Net cash provided (used) by noncapital financing activities	1,589	1,560	48,500	51,649
Cash flows from capital and related financing activities:				
Proceeds from capital debt	9,331	1,555	--	10,886
Capital contributions	--	--	13,200	13,200
Purchases of capital assets	(64,103)	(126,818)	(82,249)	(273,170)
Acquisition and construction of capital assets	(90,056)	--	--	(90,056)
Principal paid on capital debt	(93,023)	(23,410)	--	(116,433)
Interest paid on capital debt	(32,774)	(137,879)	--	(170,653)
Net cash provided (used) by capital and related financing activities	(270,625)	(286,552)	(69,049)	(626,226)
Cash flows from investing activities:				
Interest received	9,388	11,710	965	22,063
Net cash provided (used) by investing activities	9,388	11,710	965	22,063
Net increase (decrease) in cash and cash equivalents	(139,372)	(42,727)	(80,539)	(262,638)
Cash and cash equivalents, July 1, (including $810,519 in restricted accounts)	582,448	771,359	122,486	1,476,293
Cash and cash equivalents, June 30, (including $661,842 in restricted accounts)	$ 443,076	$ 728,632	$ 41,947	$ 1,213,655

MUNICIPALITY OF MOOREFIELD, WEST VIRGINIA
STATEMENT OF CASH FLOWS- PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2004

	Business-type Activities - Enterprise Funds			
	Sewer Fund	Water Fund	Park Fund	Totals
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	$ (21,876)	$ 135,065	$ (79,678)	$ 33,511
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	143,641	106,830	19,717	270,188
Amortization	6,929	302	--	7,231
Decrease (increase) in accounts receivable	(2,661)	(9,196)	--	(11,857)
Decrease (increase) in inventory	1,913	612		2,525
Increase (decrease) in accounts payable	(7,448)	(3,311)	(994)	(11,753)
Increase (decrease) in payroll payable	(222)	253	--	31
Net cash provided by operations	$ 120,276	$ 230,555	$ (60,955)	$ 289,876

The notes to the financial statements are an integral part of this statement.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Municipality of Moorefield, West Virginia, conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of significant accounting policies:

A. Reporting Entity

The government of the Municipality of Moorefield is a municipal corporation governed by an elected mayor and five member council. The accompanying financial statements present the government as required by generally accepted accounting principles.

The services provided by the government and accounted for within these financial statements include law enforcement for the Municipality, health and sanitation services, cultural and recreational programs, and other governmental services.

The accompanying financial statements present the government as required by the accounting principles generally accepted in the United States. In determining whether to include a governmental department, agency, commission or organization as a component unit, the government must evaluate each entity as to whether they are legally separate and financially accountable based on the criteria set forth by the Governmental Accounting Standards Board (GASB). Legal separateness is evaluated on the basis of (1) its corporate name, (2) the right to sue and be sued and (3) the right to buy, sell or lease and mortgage property. Financial accountability is based on (1) the appointment of the governing authority and (2) the ability to impose will or (3) the providing of specific financial benefit or imposition of specific financial burden. Another factor to consider in this evaluation is whether an entity is fiscally dependent on the Municipality.

Based on criteria established above, the Municipality of Moorefield has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied and collectible. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, interest and special assessments are susceptible to accrual. Also, certain taxpayer-assessed revenues such as business and occupation and utility taxes are accrued as revenue at year end. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The government reports the following major governmental funds:

The *General fund* is the government's primary operating fund. It accounts for all financial sources of the general government, except those required to be accounted for in another fund.

The *Coal Severance Tax fund*, a special revenue fund, accounts for revenues and expenditures from a severance tax placed on coal that is distributed to West Virginia counties. The State Auditor's Office requires an annual budget to be submitted for approval for this fund.

The government reports the following major proprietary funds:

The *Water fund* serves the citizens of the Municipality of Moorefield by providing water services to the community. This fund accounts for the receipts and expenses of operating this facility. The rates for user charges and bond issuance authorizations are approved by the government's elected council.

The *Sewerage fund* serves the citizens of the Municipality of Moorefield by providing sewerage services to the community. This fund accounts for the receipts and expenses of operating this facility. The rates for user charges and bond issuance authorizations are approved by the government's elected council.

The *Park fund* serves the citizens of the Municipality of Moorefield by providing recreational facilities to the community. This fund accounts for the receipts and expenses of operating these facilities.

Municipality of Moorefield, West Virginia follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with GASB Pronouncements in both the government-wide and proprietary fund financial statements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the enterprise funds are charges to customers for services. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The Municipality of Moorefield, West Virginia's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of less than three months from the date of acquisition. For purposes of the Statement of Cash Flows, restricted assets may be considered cash equivalents based on liquidity.

In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the Municipality reports its investments at fair value, except for non-participating investment contracts (certificates of deposit and repurchase agreements) which are reported at cost, which approximates fair value. All investment income, including changes in fair value of investments, are recognized as revenue in the operating statement. Fair value is determined by quoted market prices.

Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of underlying securities. Cash deposits are reported at carrying amount which reasonably estimates fair value. The composition of investments and fair values are presented in Note III.A.

State statutes authorize the government to invest in the State Investment Pool or the Municipal Bond Commission or to invest such funds in the following classes of securities: Obligations of the United States or any agency thereof, certificates of deposit (which mature in less than one year), general and direct obligations of the state of West Virginia; obligations of the federal mortgage association; indebtedness secured by first lien deed of trusts for property situated within this state if the payment is substantially insured or guaranteed by the federal government; pooled mortgage trusts (subject to limitations); indebtedness of any private corporation that is properly graded as in the top two or three highest rating grades; interest earning deposits which are fully insured or collateralized; and mutual funds registered with S.E.C. which have fund assets over three hundred million dollars.

State statute limitations concerning the aforementioned investments include the following: at no time can investment portfolios consist of more than seventy-five percent of the indebtedness of any private corporation nor can the portfolio have over twenty-five percent of its portfolio consisting of the indebtedness of a private corporation's debt which matures in less than one year; at no time may more than nine percent of the portfolio be invested in securities issued by a single private corporation or association; and at no time can more than sixty percent of the portfolio be invested in equity mutual funds.

2. Receivables and Payables

Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables or payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balance outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Trade Receivables

All trade receivables are shown at their gross value.

The government periodically analyzes delinquent accounts and uses the direct write off method. There were no accounts written off during the year.

Property Tax Receivable

The property tax receivable is equal to 100 percent of the property taxes outstanding at June 30, 2004.

All current taxes assessed on real and personal property may be paid in two installments; the first installment is payable on September first of the year for which the assessment is made, and becomes delinquent on October first; the second installment is payable on the first day the following March and becomes delinquent on April first. Taxes paid on or before the date when they are payable, including both first and second installments, are subject to a discount of two and one-half percent. If the taxes are not paid on or before the date in which they become delinquent, including both first and second installments, interest at the rate of nine percent per annum is added from the date they become delinquent until the date they are paid.

All municipalities within the state are authorized to levy taxes not in excess of the following maximum levies per $100 of assessed valuation: On Class I property, twelve and five-tenths cents (12.5 cents); On Class II property, twenty-five cents (25 cents); On Class IV property, fifty cents (50 cents). In addition, municipalities may provide for an election to lay an excess levy; the rates not to exceed statutory limitations, provided at least sixty percent of the voters cast ballots in favor of the excess levy.

The rates levied by the Municipality per $100 of assessed valuation for each class of property for the fiscal year ended June 30, 2004, were as follows:

Class of Property	Assessed Valuation For Tax Purposes	Current Expense	Excess Levy
Class I	$ 19,795	12.5 cents	6.25 cents
Class II	$ 14,765,475	25 cents	12.5 cents
Class IV	$ 66,969,234	50 cents	25 cents

The Municipality of Moorefield, West Virginia held a special election on March 4, 2003. The Municipality was authorized to lay an excess levy to provide approximately $86,834 annually during the next five fiscal years ended June 30, 2004 through June 30, 2008 , for the purpose of:

Maintenance and improvement of the streets, sidewalks, storm drains, parking lots, roads and alleys and the maintenance and improvement of the Town Park.

3. Inventories

For proprietary funds, inventories are valued at cost using the first- in/first-out (FIFO) method.

The cost of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

4. Restricted Assets

Certain proceeds of the water and sewerage enterprise fund revenue bonds, as well as certain proceeds set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

The "regular" account is used to segregate resources accumulated for debt service payments over the next twelve months.

The "reserve" account is used to report resources set aside to make up potential future deficiencies in the regular account.

The "renewal and replacement" account is used to report resources set aside to meet unexpected contingencies or fund asset renewals and replacements.

The "reserve for construction account" is used to report those proceeds of revenue bond and grants that are restricted for use in construction.

5. Capital Assets and Depreciation

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of $5,000 or more and estimated to have a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is not reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds during the same period.

Capital assets of the government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Structures and improvements	40
Transmission and distribution	10-40
Machinery and equipment	05-10
Vehicles	05-10

6. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements in accordance with GASB Statement No. 16, Accounting for Compensated Absences.

No liability is reported for unpaid accumulated sick leave.

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Coal Severance Tax Special Revenue Fund, except that business and occupation taxes are not reported on the modified accrual basis for budgetary purposes. All annual appropriations lapse at fiscal year end.

Municipality of Moorefield, West Virginia prepares its budget on the cash/cash plus encumbrances basis of accounting. Therefore, a reconciliation has been performed on the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual for both the General and Coal Severance Tax Funds.

The governing body of the Municipality is required to hold a meeting or meetings between the seventh and twenty-eighth days of March to ascertain the financial condition of the Municipality and to prepare the levy estimate (budget) for the fiscal year commencing July 1. The budget is then forthwith submitted to the State Auditor for approval. The governing body then reconvenes on the third Tuesday in April to hear objections from the public and formally lay the levy.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations between departments and revenue related revisions to the budget require approval from the governing council and then submission to the State Auditor for approval. Revisions become effective when approved by the State Auditor and budgeted amounts in the financial statements reflect only such approved amounts. The governing body made the following material supplementary budgetary appropriations throughout the year.

Amount	Description
$ 223,070	Unencumbered Fund Balance - General Fund
4,582	Unencumbered Fund Balance - Coal Severance Tax Fund

Encumbrance accounting is not employed as an extension of the formal budgetary process. Encumbrances (e.g. purchase orders, contracts) should be reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2004, expenditures exceeded appropriations in the Coal Severance Tax Fund by $1,048. This over expenditure was funded by available fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits and investments are categorized into these three categories of credit risk:

(1) Insured or registered, or securities held by the government or its agent in the government's name.

(2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.

(3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the government's name.

At year end, the government's carrying amount of deposits was $666,698. Of the bank balance, $200,000 was covered by federal depository insurance or by collateral held by the government's agent in the government's name (Category 1). Of the remaining balance, $466,698 was collateralized with securities held by the pledging financial institution's trust department or agent in the government's name (Category 1).

At year end the government's investment balances were as follows:

	Category 1	Carrying Amount	Fair Value
Commercial Paper	1,144,021	$ 1,144,021	$ 1,144,021
Total	$ 1,144,021	$ 1,144,021	$ 1,144,021
Investments not subject to categorization:			
Municipal Bond Commission		317,403	317,403
Total Investments		$ 1,461,424	$ 1,461,424

A reconciliation of cash and investments as shown on the Statement of Net Assets of the government is as follows:

Carrying amount of cash and deposits	$ 666,697
Carrying amount of investments	1,461,424
Total	$ 2,128,121

Cash and cash equivalents	$ 666,512
Cash and cash equivalents-restricted	185
Investments	799,767
Investments-restricted	661,657
Total	$ 2,128,121

B. Receivables

Receivables at year end for the government's individual major funds and nonmajor funds in the aggregate, are as follows:

	General	Other and Nonmajor Fund	Water Fund	Sewer Fund	Total
Receivables:					
Accounts	$ --	$ --	$ 83,567	$ 77,250	$ 160,817
Taxes	7,356	3,678	--	--	11034
Net Total Receivables	$ 7,356	$ 3,678	$ 83,567	$ 77,250	$ 171,851

C. Capital Assets

Capital Asset activity for the fiscal year ended June 30, 2004, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 22,455,088	$ --	$ --	$ 22,455,088
Total capital assets not being depreciated	22,455,088	--	--	22,455,088
Capital assets being depreciated:				
Buildings and improvements	4,543,845	--	--	4,543,845
Machinery and equipment	145,190	40,869	(9,000)	177,059
Vehicles	114,349	3,400	(18,730)	99,019
Total accumulated depreciation	(331,437)	(59,871)	27,730	(363,578)

Total capital assets being depreciated, net	4,471,947	(15,602)	--	4,456,345
Governmental activities capital assets, net	$ 26,927,035	($ 15,602)	$ --	$ 26,911,433

The June 30, 2003, ending balance in accumulated depreciation was restated to accurately reflect the useful lives of the assets.

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 169,617	$ --	$ --	$ 169,617
Construction in progress	--	90,056	--	90,056
Total capital assets, not being depreciated	169,617	90,056	--	259,673
Capital assets being depreciated:				
Buildings	14,322	30,649	--	44,971
Structures and improvements	2,833,955	82,249	--	2,916,204
Transmission and distribution	1,610,575	81,739	--	1,692,314
Machinery and equipment	9,977,198	78,533	--	10,055,731
Less: accumulated depreciation	(3,424,254)	(250,471)	--	(3,674,725)
Total capital assets being depreciated, net	11,011,796	22,699	--	11,034,495
Business-type activities capital assets, net	$ 11,181,413	$ 112,755	$ --	$ 11,294,168

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 44,782
Public safety	6,432
Highways and streets	8,657
Total depreciation expense-governmental activities	$ 59,871
Business-type activities:	
Water Fund	$ 143,641
Sewerage Fund	106,830
Total depreciation expense-business-type activities	$ 250,471

Construction in Progress

For business-type activities, the government has an active construction project in the sewerage fund. At year end the total spent-to-date was $90,056. This project is funded by the Municipality of Moorefield.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2004, is as follows:

Due to/from other funds

Receivable Fund	Payable Fund	Amount
Sewerage	Water	$ 680
	Total	$ 680

Interfund Transfers:

	Transfers In		
	General Fund	Nonmajor Governmental	Parks
Transfers out:			
General fund	$(1,000)	$ --	$(48,500)
Nonmajor governmental funds	--	$49,500	--
Total Transfers Out	$(1,000)	$49,500	$(48,500)

E. Leases

Capital Leases

The government has entered into lease agreements as lessee for financing the acquisition of public works equipment. These lease agreements qualify as capital leases for accounting purposes, and, therefore have been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset	Governmental Activities	Water fund	Sewerage fund
Machinery, equipment and vehicles	$ 3,835	$ 12,078	$ 12,079
Less: accumulated depreciation	192	604	604
Total	$ 4,027	$ 12,682	$ 12,683

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2004, were as follows:

Year Ending June 30	Governmental Activities	Business Type Activities
2005	$ 3,888	$ 11,036
Total minimum lease payments	3,888	11,036
Less: amount representing interest	(53)	(150)
Present value of minimum lease payments	$ 3,835	$ 10,886

F. Long-Term Debt

Notes Payable

The Municipality entered into a loan agreement with an individual to finance a sewerage line extension in the Municipality.

Purpose	Maturity Dates	Interest Rates	Issued	Retired	Balance June 30, 2004
Business-type activities:	2013	0%	$ 89,120	$ 17,826	$ 71,294
Total notes payable			$ 89,120	$ 17,826	$ 71,294

Debt service requirements to maturity are as follows:

Year Ended	Business-Type Activities Principal
2005	$ 8,912
2006	8,912
2007	8,912
2008	8,912
2009	8,912
2010 - 2014	26,734
Totals	$ 71,294

Revenue Bonds

The Municipality issues bonds where the government pledges income derived from acquired or constructed assets to pay debt service.

The proceeds of these bonds are being used to construct and maintain water and sewer plants and lines. Revenue Bonds outstanding, net of unamortized loss of $45,689 for the 2001 issue at year end are as follows:

Purpose	Maturity Dates	Interest Rates	Issued	Retired	Balance June 30, 2004
Business-type activities:					
Water Plant and line project:					
1992 Series A bonds	2032	9.75%	$ 1,451,613	$ 106,339	$ 1,345,274
1992 Series B bonds	2032	0%	48,387	13,648	34,739
1986 Series A bonds	2026	8.38%	443,275	51,217	392,058
1986 Series B bonds	2026	0%	108,725	42,918	65,807
Sewerage Plant and line project:					
1986 Series B bonds	2026	0%	38,440	15,174	23,266
1987 Series B bonds	2027	8.38%	156,720	18,109	138,611
1998 Series A bonds	2038	0%	1,218,240	80,740	1,137,500
2001 Series A bonds	2041	5.80%	259,125	74,988	184,137
Total revenue bonds			$ 3,724,525	$ 403,133	$ 3,321,392

Revenue bond and notes debt service requirements to maturity are as follows:

Year Ended	Business-Type Activities	
	Principal	Interest
2005	$ 119,357	$ 161,416
2006	121,948	158,813
2007	124,734	156,039
2008	127,339	153,077
2009	130,489	149,831
2010 - 2014	667,023	689,925
2015 - 2019	774,140	591,742
2020 - 2024	550,298	421,514
2025 - 2029	511,631	227,505
2030 - 2034	311,416	48,925
Totals	$ 3,438,375	$ 2,758,787

The Municipality is required to comply with the provisions of the bond agreements and to ensure the revenues are adequate to meet its operating expenses and debt service requirements. The following schedule summarizes these provisions for the fiscal year ended June, 30, 2004.

Rate Covenant

Net Gross Revenues	Maximum Amount Annual Debt Service	Percentage	Percentage Required
$ 310,930	$ 271,861	115%	115%

As of June 30, 2004, the Municipality was in compliance with the provisions of their revenue bond covenants which require revenues to be 115% or above the amount of the highest principal payment plus interest due in any given year.

The provisions of the revenue bond covenants require that assets to be accumulated in restricted accounts for the payment of future debt service. The covenant requires, at a minimum, that an amount equivalent to one third of the current year's debt service payment be maintained in a revenue account. A reserve account must also be funded with one tenth of one twelve of the highest debt service payment in any given year. The Municipality has sufficient funds in reserve to satisfy the bond covenant requirements.

Changes in General Long-Term Liabilities

	Governmental Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ --	$ 44,858	$ --	44,858	$ --
Governmental activities Long-term liabilities	$ --	$ 44,858	$ --	$ 44,858	$ --

	Business-Type Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable	$ 3,474,622	$ --	($ 107,541)	$ 3,367,081	$ 119,357
Notes payable	80,208	--	(8,914)	71,294	--
Less: deferred amounts:					
Loss on refunding	(48,952)	--	3,263	(45,689)	--
Total bonds payable	3,505,878	--	(113,192)	3,392,686	119,357
Business-type activities Long-term liabilities	$ 3,505,878	$ --	($ 113,192)	$ 3,392,686	$ 119,357

G. Restricted Assets

The balances of the restricted asset accounts for the primary government and component unit[s] are as follows:

	Business-Type Activities
Revenue bond operations and maintenance account	$ 317,403
Revenue bond construction account	344,254
Revenue bond renewal and replacement account	185
Total restricted assets	$ 661,842

V. Other Information

A. Risk Management

The government is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance with Scottsdale Insurance Company for umbrella (general liability) insurance for these various risks.

The Municipality pays the State Workers' Compensation System a premium based on a rate per $100 of salaries. The rate is calculated based on accident history and administrative costs to provide coverage to employees for job related injuries.

Liabilities are reported when it is probable a loss has occurred and the amount of the loss can be reasonably estimated.

B. Contingent Liabilities

It is the opinion of the government's counsel that there are no pending lawsuits or unasserted claims against the Municipality of Moorefield, West Virginia.

VI. Employee Retirement Systems and Plans

VI.B.1 Plan Descriptions Contribution Information and Funding Policies

Public Employee Retirement System (PERS)

The Municipality of Moorefield, West Virginia participates in a state-wide, cost-sharing, multiple-employer defined benefit plan on behalf of general Municipality employees. The system is administered by agencies of the State of West Virginia and funded by contributions from participants, employers, and state appropriations, as necessary.

The following is a summary of eligibility factors, contribution methods, and benefit provisions:

	Public Employees Retirement System
Eligibility to participate	All Municipality full-time employees, except those covered by other pension plans
Authority establishing contribution obligations and benefit provisions	State Statute
Plan member's contribution rate	4.50%
Municipality's contribution rate	10.50%
Period required to vest	Five Years
Benefits and eligibility for distribution	A member who has attained age 60 and has earned 5 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 10) times the years of service times 2% equals the annual retirement benefit.
Deferred retirement portion	No
Provisions for:	
Cost of Living	No
Death Benefits	Yes

VI.B.2. Trend Information

Public Employees' Retirement System (PERS)

Fiscal Year	Annual Pension Cost	Percentage Contributed
2004	$ 78,444	100%
2003	$ 71,564	100%
2002	$ 65,900	100%

PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Retirement System, Building 5, Room 1000, 1900 Kanawha Boulevard East, Charleston, WV 25305.

ACCOMPANYING INFORMATION

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's basic financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such as opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2004-01 and 2004-02.

This report is intended solely for the information and use of the audit committee, management, and City Council and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Glen B. Gainer III
West Virginia State Auditor

September 9, 2005

Failure to Submit Budget Revision to Appropriate
the Unexpended Balance - Coal Severance Tax Fund
2004-01

CONDITION:

We determined during our audit that the officials of the Municipality of Moorefield failed to submit a budget revision for the Coal Severance Tax Fund to appropriate $2,399, the actual unexpended fund balance at June 30, 2004.

CRITERIA:

The West Virginia Code §6-9-3 states in part that:

> ". . .All unexpended balances or appropriations shall be transferred to the credit of the fund from which originally appropriated or levied whenever the account with an appropriation is closed."

In addition, a State Supreme Court decision stated that:

> ". . .Any excesses or balances should be carried into the proper funds of the succeeding fiscal year and proper credit made therefore when levies are being laid for that year . . . Ireland v Board of Education, 115 WV 614, 177 S.E. 452 (1934)."

CAUSE:

The Municipality failed to revise the cash balance for the Coal Severance Tax Fund.

EFFECT:

The Municipality did not appropriate all funds available.

RECOMMENDATION:

The Municipality should exercise proper budgetary practices.

Expenditures in Excess of Amounts Allocated
in the Levy Estimate - General Fund
2004-02

CONDITION:

It was determined during this examination that municipal officials of Moorefield incurred expenditures and/or encumbrances for certain items in the General Fund in excess of the amounts allocated for those items in the official levy estimate (budget) as last revised. Specifically, expenditures in the following categories exceeded budget amounts.

Category	Budget	Actual	Variance
Streets and transportation	$9,082	$10,130	$1,048

CRITERIA:

West Virginia Code §11-8-26 states in part that:

> ". . .a local fiscal body shall not expend money or incur obligations:
> (1) In an unauthorized manner;
> (2) For an unauthorized purpose;
> (3) In excess of the amount allocated to the fund in the levy order;
> (4) In excess of the funds available for current expenses..."

CAUSE:

The Municipality failed to implement policies and procedures which should regulate expenditures and insure that adequate revisions be made to the budget prior to actual disbursements being made.

EFFECT:

By not exercising adequate policies and procedures, the Municipality compromises its budgetary control.

RECOMMENDATION:

The Municipality should implement controls that will insure compliance with budgetary requirements.

AUDITED AGENCY'S RESPONSE:

The municipal recorder stated that better budgetary control will be exercised in the future to prevent overexpenditures.

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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[LETTERHEAD OF STEPTOE & JOHNSON PLLC]
(Form of Bond Counsel Opinion)

March 16, 2007

Town of Moorefield (West Virginia)
Water Revenue Bonds, Series 2007 A (Tax-Exempt)

Town of Moorefield
Moorefield, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by the Town of Moorefield (West Virginia) (the "Issuer") of its $3,155,000 aggregate principal amount Water Revenue Bonds, Series 2007 A (Tax-Exempt) (the "Bonds").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act") and a Bond Ordinance duly enacted by the Issuer on February 28, 2007, as supplemented by a Supplemental Parameters Resolution duly adopted by the Issuer on February 28, 2007 (said Ordinance, as so supplemented, herein called the "Ordinance") and are subject to all the terms and conditions of the Ordinance.

The Bonds are issued in fully registered form, are dated March 1, 2007, upon original issuance, mature on March 1 in years and amounts and bear interest payable each March 1 and September 1, commencing September 1, 2007, and are subject to optional and mandatory sinking fund redemption prior to maturity on the dates, in the amounts and at the redemption prices, all as set forth in the Ordinance.

The Ordinance provides that the issue is for the purposes of providing funds to design, acquire and construct extensions, additions, betterments and improvements to the waterworks system of the Town, to fund the Debt Service Reserve Fund and to pay costs of issuance of the Bonds and other costs in connection with such issue.

There are outstanding obligations of the Issuer which will rank either on a parity with or junior and subordinate to, the Bonds as to liens, pledge, source of and security for payment, as follows:

Designation	Lien Position
Water Revenue Bonds, Series 1987,dated November 20, 1987, issued in the original aggregate principal amount of $443,275 (the "Series 1987 Bonds")	First Lien
Water Revenue Bonds, Series 1992 A, dated May 28, 1992, issued in the original aggregate principal amount of $1,451,613 (the "Series 1992 A Bonds")	First Lien
Supplemental Water Revenue Bonds, Series 1987, dated November 20, 1987, issued in the original aggregate principal amount of $108,725 (the "Series 1987 Supplemental Bonds")	Second Lien
Water Revenue Bonds, Series 1992 B, dated May 28, 1992, issued in the original aggregate principal amount of $48,387 (the "Series 1992 B Bonds")	Second Lien

The Series 1987 A Bonds and the Series 1992 A Bonds are hereinafter collectively called the "First Lien Bonds." The Series 1987 B Bonds and the Series 1992 B Bonds are hereinafter called the "Second Lien Bonds". The First Lien Bonds and the Second Lien Bonds are collectively referred to as the "Prior Bonds". The ordinances which authorized the issuance of the Prior Bonds are herein collectively referred to as the "Prior Ordinances."

The Series 2007 A Bonds shall be issued on a parity with one another and with the First Lien Bonds, all of which shall have a first lien position with respect to pledge and source of and security for payment and in all other respects, and senior and prior to the Second Lien Bonds. The Issuer has met the coverage requirements for issuance of parity bonds of the Prior Bonds and the Prior Ordinances authorizing the Prior Bonds and has substantially complied with all other parity requirements, except to the extent that noncompliance with any such other parity requirements is not of a material nature. The Issuer has received the consent of the holders of the Second Lien Bonds to the issuance of the Series 2007 A Bonds.

The Bonds have been sold to Crews & Associates, Inc. (the "Purchaser"), pursuant to a Bond Purchase Agreement dated March 12, 2007, and accepted by the Issuer (the "Bond Purchase Agreement").

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

Based upon the foregoing, and assuming compliance with the covenants, representations and certifications of the Issuer and others, pertaining to tax matters set forth in the Ordinance and with certain certificates delivered in connection with the issuance of the Bonds, we are of the opinion, under existing law, that:

1. The Issuer is a duly created and validly existing municipal corporation under and pursuant to the laws of the State of West Virginia, with full power and authority to enact the Ordinance, enter into the Bond Purchase Agreement, perform its obligations under the terms and provisions thereof and to issue and sell the Bonds, all under the provisions of the Act and other applicable provisions of law.

2. The Issuer, through its governing body, has legally and effectively enacted the Ordinance, has authorized, executed and delivered the Bond Purchase Agreement and has issued and delivered the Bonds to the Purchaser pursuant to the Bond Purchase Agreement. The Ordinance is in full force and effect as of the date hereof.

3. Assuming due authorization, execution and delivery by the other parties thereto, the Bond Purchase Agreement constitutes a valid, legal, binding and enforceable instrument of the Issuer in accordance with its terms; and the Bonds, subject to the terms thereof, constitute valid and legally enforceable limited obligations of the Issuer, payable from the Gross Revenues and issued on a parity with respect to liens, pledge and sources of and security for payment with the Outstanding Prior Bonds, and enforceable in accordance with their terms and the terms of the Ordinance, and are entitled to the benefits of the Ordinance and the Act.

4. Under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Bonds (including original issue discount properly allocable to owners of the Bonds) is excludable from gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon

individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. Ownership of tax-exempt obligations, including the Bonds, may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. We offer no opinion as to such collateral tax consequences. Prospective purchasers of the Bonds should consult their own tax advisors as to such consequences. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Internal Revenue Code of 1986, as amended, and regulations thereunder (the "Code") that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Ordinance and the certificate relating to arbitrage. Failure to comply with such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. Except as set forth in paragraph 6, below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under the Act, the Bonds and the interest thereon, are exempt from all taxation by the State of West Virginia and any county, municipality, political subdivision or agency thereof.

6. The Issuer has designated the Bonds as "qualified tax-exempt obligations" for purposes of the Code, and has covenanted that it does not reasonably expect to issue more than $10,000,000 of tax-exempt obligations (other than private activity bonds and obligations issued to currently refund any obligation of the Issuer to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligations) during the calendar year 2007. Therefore, the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. The provisions of the Code which disallow all deductibility of interest expense incurred by financial institutions on debt incurred or continued to carry most tax-exempt obligations will not apply to the Bonds, and accordingly, 80% of the interest expense of a financial institution incurred for the purpose of purchasing or carrying the Bonds will be deductible for federal income tax purposes.

7. The Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and the West Virginia Uniform Securities Act, as amended, and it is not necessary, in connection with the public offering and sale of the Bonds, to register any securities under said Securities Acts.

It is to be understood that the rights of the holders of the Bonds and the enforceability of liens, pledges, rights or remedies with respect to the Bonds, the Ordinance and the Bond Purchase Agreement are subject to any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws heretofore or hereafter enacted affecting creditors' rights or remedies generally, and that their enforcement may also be subject to the application of public policy, general principles of equity and the exercise of judicial discretion in appropriate cases.

We have examined the executed and authenticated Bond No. AR-1 of said issue, and in our opinion, said Bond is in proper form and has been duly executed and authenticated.

Very truly yours,

STEPTOE & JOHNSON PLLC

621500.00002

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Agreement"), dated March 16, 2007, is by and between the Town of Moorefield, West Virginia (the "Town"), and United Bank, Inc., as Disclosure Agent (the "Agent"). By the terms of an ordinance enacted by the Council of the Town on February 28, 2007 (the "Original Ordinance"), as supplemented and amended by supplemental resolutions adopted by the Council of the Town pursuant to the Original Ordinance (the "Supplemental Resolutions" and together with the Original Ordinance, the "Ordinance"), the Town authorized the issuance of $3,155,000 Town of Moorefield, Water Revenue Bonds, Series 2007 A (Tax-Exempt) (the "Series 2007 Bonds"). The Series 2007 Bonds were sold pursuant to the terms of a Bond Purchase Agreement dated March 12, 2007, by and between the Crews & Associates, Inc. (the "Underwriter") and the Town. Capitalized terms used in this Agreement shall have the respective meanings specified above or in Article IV hereof. The parties agree as follows:

ARTICLE I

The Undertaking

Section 1.1. Purpose. This Agreement shall constitute a written undertaking for the benefit of the holders of the Series 2007 Bonds and is being executed and delivered solely to assist the Underwriter in complying with subsection (b)(1) of the Rule.

Any filing under this Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "Central Post Office") as provided at http://www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

Section 1.2. Annual Financial Information. (a) The Town shall provide Annual Financial Information with respect to each fiscal year of the Town, commencing with the fiscal year ended June 30, 2007, by no later than 180 days after the end of each fiscal year, to the Agent for delivery to the Central Post Office for delivery to each NRMSIR and the SID.

(b) The Town shall provide, in a timely manner, notice of any failure of the Town to provide the Annual Financial Information by the date specified in subsection (a) above to the Agent for delivery to the Central Post Office for delivery to (i) either the MSRB or each NRMSIR, and (ii) the SID.

Section 1.3. Material Event Notices. (a) If a Material Event occurs, the Town shall provide, in a timely manner, notice of each Material Event to the Agent for delivery to the Central Post Office for delivery to (i) either the MSRB or each NRMSIR, (ii) the SID, and (iii) the Underwriter.

(b) Any notice of defeasance of the Series 2007 Bonds shall state whether the Series 2007 Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

Section 1.4. Additional Disclosure Obligations. The Town acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Town and that, under some circumstances, additional disclosures or other action in addition to those required by this Agreement may be required to enable the Town to fully discharge all of its duties and obligations under such laws.

Section 1.5. Additional Information. Nothing in this Agreement shall be deemed to prevent the Town from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Material Event hereunder, in addition to that that is required by this Agreement. If the Town chooses to do so, the Town shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Material Event hereunder.

Section 1.6. No Previous Non-Compliance. The Town represents that since June 30, 2006, it has not failed to comply in any material respect with any previous undertaking in a written contract or Agreement, as entered into by the Town, specified in paragraph (b)(5)(i) of the Rule.

ARTICLE II

Operating Rules

Section 2.1. Reference to Other Documents. It shall be sufficient for purposes of this Agreement if the Town provides Annual Financial Information by specific reference to documents (i) either (1) provided to the Agent for delivery to the Central Post Office for delivery to each NRMSIR existing at the time of such reference and the SID or (2) filed with the SEC, or (ii) if such document is an Official Statement, available from the MSRB.

Section 2.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 2.3. Transmission of Information and Notices. Unless otherwise required by law, the Town shall employ such methods of information and notice transmission as it shall so determine. All deliveries to the Agent for delivery to the Central Post Office shall be by electronic transmission at the website for the Central Post Office.

Section 2.4. Fiscal Year. The Town's current fiscal year is the twelve-month period ending on June 30. The Town shall promptly notice (i) the Agent for delivery to the Central Post Office for delivery to each NRMSIR and the SID and (ii) the Underwriter of each change in its fiscal year.

ARTICLE III

Effective Date, Termination, Amendment and Enforcement

Section 3.1. Effective Date; Termination. (a) This Agreement shall be effective upon the issuance of the Series 2007 Bonds.

(b) The Town's obligations under this Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Series 2007 Bonds.

(c) This Agreement, or any provision hereof, shall be null and void in the event that the Town (1) delivers to the Agent an opinion of Counsel, addressed to the Town and the Agent, to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Series 2007 Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the Central Post Office for delivery to each NRMSIR and the SID.

Section 3.2. Amendment. (a) This Agreement may be amended, by written Agreement of the Town, without the consent of the holders of the Series 2007 Bonds, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Town or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the State shall have delivered to the Agent an opinion of Counsel, addressed to the Town and the Agent, to the same effect as set forth in clause (2) above, (4) the Town shall have delivered to the Agent an opinion of Counsel or a determination by a person, in each case unaffiliated with the Town (such as bond counsel or the Agent) and acceptable to the Town, addressed to the Town and the Agent, to the effect that the amendment does not materially impair the interests of the holders of the Series 2007 Bonds, and (5) the Town shall have delivered copies of such opinion(s) and amendment to the Central Post Office for delivery to each NRMSIR and the SID.

(b) In addition to the provisions contained in subsection (a) above, this Agreement may be amended, by written Agreement of the Town, without the consent of the holders of the Series 2007 Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the Town shall have delivered to the Purchaser an opinion of Counsel, addressed to the Town and the Agent, to the effect that performance by the Town under this Agreement as so amended will not result in a violation of the Rule, and (3) the Town shall have delivered copies of such opinion and amendment to the Central Post Office for delivery to each NRMSIR and the SID.

(c) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made pursuant to Section 3.2(a) hereof due to a change in the accounting principles to be followed by the Town in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall provide written explanation of such change or changes.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall inure solely to the benefit of the holders from time to time of the Series 2007 Bonds, except that beneficial owners of Series 2007 Bonds shall be third-party beneficiaries of this Agreement and shall be deemed to be holders of Series 2007 Bonds for purposes of Section 3.3(b) hereof. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a).

(b) The obligations of the Town to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide Annual Financial Information and Material Event notices, by any holder of Outstanding Bonds, or by the Agent on behalf of the holders of Outstanding Bonds, or (ii), in the case of challenges to the adequacy of the Annual Financial Information so provided, by the Agent on behalf of the holders of Outstanding Bonds; provided, however, that the Agent shall not be required to take any enforcement action except at the direction of the holders of not less than 25% in aggregate principal amount of the Series 2007 Bonds at the time Outstanding who shall have provided the Agent with adequate security and indemnity. The holders' and Trustee's rights to enforce the provisions of this Agreement shall be limited solely to right, by action in mandamus or for specific performance, to compel performance of the Town's obligations under this Agreement.

(c) Any failure by the Town or the Agent to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State of West Virginia, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State of West Virginia; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

Definitions

Section 4.1. Definitions. The following items used in this Agreement shall have the following respective meanings:

(a) "Annual Financial Information" means, collectively (i) the Town's Comprehensive Annual Financial Report (or any successive document which sets forth comprehensive information relating to the financial position of the Town) and (ii) the information regarding amendments to this Agreement required pursuant to Sections 3.2(c) and (d) of this Agreement. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

(b) "Audited Financial Statements" means the annual financial statements, if any, of the Town, audited by such auditor as shall then be required or permitted by West Virginia law. Audited Financial Statements shall be prepared in accordance with GAAP.

(c) "Central Post Office" shall mean the Texas Municipal Advisory Council, which shall receive Annual Reports and Listed Events and then electronically transmit them to the NRMSIRs and the State Repository.

(d) "Counsel" means Steptoe & Johnson PLLC, Charleston, West Virginia, or other nationally recognized bond counsel or counsel expert in federal securities law.

(e) "GAAP" means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(f) "Material Event" means any of the following events with respect to the Series 2007 Bonds, whether relating to the Town or otherwise, if material:

(i) principal and interest payment delinquencies;
(ii) non-payment related defaults;
(iii) unscheduled draws on debt service reserves reflecting financial difficulties;
(iv) unscheduled draws on credit enhancements reflecting financial difficulties;
(v) substitution of credit or liquidity providers, or their failure to perform;
(vi) adverse tax opinions or events affecting the tax-exempt status of the Series 2007 Bonds;
(vii) modifications to rights of security holders;
(viii) bond calls;
(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Series 2007 Bonds; and

(xi) rating changes.

(g) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

(h) "NRMSIR" means, at any time, a then-existing nationally recognized municipal securities information repository, as recognized from time to time by the SEC for the purposes referred to in the Rule. The NRMSIRs as of the date of this Agreement are Bloomberg Municipal Repository, DPC Data, Inc., FT Interactive Data and Standard & Poor's J. J. Kenny Repository. Filing information relating to such NRMSIRs is set forth in Exhibit B hereto.

(i) "Official Statement" means "final official statement," as defined in paragraph (f)(3) of the Rule.

(j) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, § 240.15c2-12), as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(k) "SEC" means the United States Securities and Exchange Commission.

(l) "SID" means, at any time, a then-existing state information depository, if any, as operated or designated as such by or on behalf of the State of West Virginia for the purposes referred to in the rule. As of the date of this Agreement, there is no SID.

(m) "Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

ARTICLE V

Miscellaneous

Section 5.1. Severability. If any one or more sections, clauses, sentences or parts hereof shall for any reason be questioned in any court of competent jurisdiction and shall be adjudged unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remaining provisions hereof or thereof, or the Series 2007 Bonds, but shall be confined to the specific sections, clauses, sentences and parts so adjudged.

EXHIBIT B

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission as of March 1, 2007:

Central Post Office
Website: http://www.disclosureusa.org

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
FAX: (609) 279-5962
http://www.bloomberg.com/markets/rates/municontacts.html
E-mail: Munis@Bloomberg.com

FT Interactive Data
Attn: NRMSIR
100 William Street, 15th Floor
New York, NY 10038
Phone: (212) 771-6999; (800) 689-8466
FAX: (212) 771-7390
http://www.ftid.com
E-mail: NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, NY 10041
Phone: (212) 438-4595
FAX: (212) 438-3975
http://www.disclosuredirectory.standardandpoors.com/
E-mail: nrmsir_repository@sandp.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
FAX: (201) 947-0107
http://www.dpcdata.com
E-mail: nrmsir@dpcdata.com

$3,155,000
TOWN OF MOOREFIELD
WATER REVENUE BONDS
SERIES 2007 A (TAX-EXEMPT)

BOND PURCHASE AGREEMENT

March 12, 2007

Town of Moorefield
206 Winchester Avenue
Moorefield, WV 26836

Ladies and Gentlemen:

1. Crews & Associates, Inc. (the "Underwriter") offers to enter into the following agreement with you, the Town of Moorefield (the "Town"), which, upon your acceptance of this offer, will become binding upon you and upon the Underwriter. This offer is made subject to your acceptance by execution of this Bond Purchase Agreement (this "Agreement") and its delivery to us on or before 11:00 P.M., prevailing time, today. Terms used and not defined in this Agreement have the meanings given to them in the Official Statement hereinafter referred to.

2. Upon the terms and conditions and upon the basis of the representations and warranties hereinafter set forth, the Underwriter hereby agrees to purchase from you for offering to the public, and you hereby agree to sell to the Underwriter for such purpose, all (but not less than all) of $3,155,000 aggregate principal amount of Water Revenue Bonds, Series 2007 A (Tax-Exempt) of the Town (the "Bonds"), having the principal amounts and maturities and bearing interest at the rates stated in the Official Statement hereinafter referred to, at the aggregate purchase price of $3,054,787.98. This purchase price reflects an original issue discount of $27,659.00, an underwriter's discount of $78,875.00 and accrued interest of $6,321.98. The Bonds shall be designated as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Internal Revenue Code of 1986, as amended (the "Code").

3. The Bonds shall be as described in, and shall be issued pursuant to, an Ordinance enacted by Council of the Town and effective on February 28, 2007, and a Supplemental Parameters Resolution enacted by Council of the Town and effective on February 28, 2007 (together, the "Ordinance" or "Bond Ordinance"). The Bonds shall be secured by the gross revenues collected by the Town from the operation of its water system.

4. We agree to make a bona fide public offering of all the Bonds not in excess of the initial public offering prices (which may be expressed in terms of yields), set forth on the cover page of the Official Statement (hereinafter defined), plus interest accrued thereon from the date thereof, reserving, however, the right to change such yields or prices as the Underwriter shall deem necessary in connection with the offering of the Bonds, even after the initial offering.

5. (a) Prior to the date hereof, you have provided for our review a form of Official Statement that the Town deems final as of its date, except for certain omissions in connection with the pricing of the Bonds. At the time of or before your acceptance hereof, you shall deliver to us three executed copies of the Official Statement of the Town dated today relating to the Bonds (the form of which, together with the cover page and all appendices or supplements thereto as are adopted by the Town in accordance herewith and other reports or statements attached thereto or included therein, is called the "Official Statement") executed on behalf of the Town by its Mayor.

(b) You authorize any and all of this material, including specifically the Official Statement and the information therein contained, to be used in connection with the public-offering and sale of the Bonds. The Town hereby ratifies the use by the Underwriter prior to the date hereof of the Preliminary Official Statement of the Town dated March 9, 2007, in connection with the public offering of the Bonds.

(c) You agree to deliver or cause to be delivered to the Underwriter, at such address as the Underwriter shall specify, as many additional copies of the Official Statement as the Underwriter shall reasonably request as necessary to comply with paragraph (b)(4) of Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934 (17 CFR §240.15c2-12) (the "Rule"). You agree to deliver such additional copies of the Official Statement, complete as of its date of delivery and in form satisfactory to the Underwriter, upon acceptance hereof or as soon as practicable thereafter (but in any event within seven (7) business days after the date hereof and in sufficient time to accompany any confirmation that requests payment from any customer).

The Underwriter agrees to give notice to the Town on the date after which the Underwriter shall no longer be obligated to deliver the Official Statement pursuant to paragraph (b)(4) of the Rule.

(d) From the date hereof, if, until the earlier of (i) 90 days from the end of the underwriting period or (ii) the time when the Official Statement is available to any person from a nationally recognized municipal securities information repository (but in no case less than twenty-five (25) days following the end of the underwriting period), any event occurs as a result of which, it may be necessary to amend or supplement the Official Statement in order to make the statements therein, in light of the circumstances under which they were made, not misleading, the Town shall notify the Underwriter and, if in the opinion of the Town or the Underwriter, such event requires the preparation and publication of an amendment or supplement to the Official Statement, the Town, at its expense, promptly will prepare an appropriate amendment or supplement thereto (and file, or cause to be filed, the same with a nationally recognized municipal securities information repository) so that the statements in the Official Statement as so amended or supplemented will not, in light of the circumstances under which they were made, be misleading.

6. The Town represents and warrants to the Underwriter that:

(a) The Town is a public corporation and political subdivision of the State of West Virginia (the "State"), established and existing under the laws of the State, and has, and at

the date of the Closing will have, full legal right, power and authority (i) to enter into this Agreement, (ii) to enact the Ordinance providing for the issuance of and security for the Bonds (including the pledge by the Town of the gross revenues collected from the operation of the water system), (iii) to issue, sell and deliver the Bonds to the Underwriter as provided herein; and (iv) to carry out and to consummate the transactions contemplated by this Agreement, the Ordinance and the Official Statement;

(b) The Town has complied, and will at the Closing be in compliance, in all respects with Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act");

(c) By official action of the Town prior to or concurrently with the acceptance hereof, the Town has duly authorized the Ordinance and has duly ratified the distribution of the Preliminary Official Statement and the execution and delivery of the Official Statement, has duly authorized and approved the execution and delivery of, and the performance by the Town of the obligations contained in, the Bonds and this Agreement and has duly authorized and approved the performance by the Town of the obligations contained in the Ordinance and the consummation by it of all other transactions contemplated by the Official Statement;

(d) The execution and delivery of this Agreement and the Bonds and the execution of the Ordinance and compliance with their respective provisions will not conflict with or constitute a breach of or default under any applicable law or administrative regulation of the State of West Virginia or the United States or any applicable judgment or decree or any agreement or other instrument to which the Town is a party or is otherwise subject and will not conflict with any provision of the Act;

(e) We have no reason to believe that, the financial statements relating to the Town in the Official Statement do not fairly present the respective financial positions and results of operations of the Town as of the dates and for the periods therein set forth;

(f) At the time of the Town's acceptance hereof, the Preliminary Official Statement was and the Official Statement, as of the date hereof is, and as it may be amended or supplemented at the date of delivery to the Underwriter and at the Closing will be, true and correct in all material respects and the Preliminary Official Statement did not, and the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and, in addition, any amendments or supplements to the Official Statement prepared and furnished by the Town pursuant hereto will not contain any untrue statement of a material fact or omit to state any material facts necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(g) Between the date of this Agreement and the Closing, the Town will not issue any bonds, notes or other obligations for borrowed money, secured by the gross revenues collected from the operation of the Town's water system, except as described in or contemplated by the Official Statement, and without the prior written consent of the Underwriter, the Town will not incur any material liabilities, direct or contingent, nor will there be any adverse change of a

material nature in the financial position, results of operations or condition, financial or otherwise, of the Town;

(h) No litigation is pending or, to the knowledge of the Town, threatened in any court in any way restraining or to enjoining the issuance or delivery of the Bonds, or the security therefore or the proceedings or authority under which they are to be issued;

(i) To the best of your knowledge, there is no litigation pending or, to the Town's knowledge, threatened against the Town, wherein an unfavorable decision would adversely affect the ability of the Town to carry out its obligations under the Ordinance or would have a material adverse impact on the financial position or results of operations of the Town;

(j) The Town will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code, and will provide an opinion of Steptoe & Johnson PLLC, as Bond Counsel, that the Bonds are "qualified tax-exempt obligations", that the provisions of the Code which disallow all deductibility of interest expense incurred by financial institutions on debt incurred or continued to carry most tax-exempt obligations will not apply to the Bonds and that, accordingly, 80% of the interest expense of a financial institution incurred for the purpose of purchasing or carrying the Bonds will be deductible for federal income tax purposes.

(k) The Town will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter, as the Underwriter reasonably may request to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and to provide for the continuance of such qualifications, but will not subject the Town to service of process in jurisdictions other than that to which the Town is subject pursuant to the Act; and

(l) If between the date of this Agreement and the date of the Closing an event occurs affecting the Town which is materially adverse for the purpose for which the Official Statement is to be used and is not disclosed in the Official Statement, the Town shall notify the Underwriter and if in the opinion of the Underwriter and counsel to the Underwriter such event requires a supplement or amendment to the Official Statement, the Town will supplement or amend the Official Statement in a form and in a manner approved by the Underwriter and counsel to the Underwriter.

7. At 10:00 A.M., prevailing time, on March 16, 2007, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by you and us, you will deliver to us the Bonds in definitive form, duly executed and authenticated, together with the other documents hereinafter mentioned; and, subject to the terms and conditions hereof, the undersigned will accept such delivery and pay the purchase price of the Bonds as set forth in Paragraph 2 hereof, by making a wire transfer in federal funds payable to the order of the Town. Upon payment as aforesaid, the Bonds will be delivered to The Depository Trust Company in New York, New York, using the DTC FAST closing procedure. This payment and delivery is herein called the "Closing." The Bonds will be delivered as fully registered bonds, one for each stated maturity of the Bonds in the aggregate principal amount of such maturity, bearing proper, duly assigned

CUSIP numbers, and registered in the name of The Depository Trust Company's nominee, Cede & Co., and, if the Underwriter shall so request, will be made available to the Underwriter at least twenty-four (24) hours before the Closing for inspection and packaging.

8. The Underwriter has entered into this Agreement in reliance upon the representations and warranties of the Town contained herein and to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Town of its obligations hereunder, both as of the date hereof and as of the date of Closing. Accordingly, the Underwriter's obligations under this Agreement to purchase, accept delivery of and to pay for the Bonds shall be subject to the accuracy in all material respects of the representations and warranties of the Town contained herein as of the date hereof and the date of Closing, to the performance by the Town of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and to the following conditions:

(a) At the time of the Closing (i) the Ordinance shall be in full force and effect and shall not have been amended, modified or supplemented since the date hereof except as may have been agreed to in writing by us, and you shall have duly adopted and there shall be in full force and effect such additional agreements, as shall, in the opinion of Steptoe & Johnson PLLC, Bond Counsel, be necessary in connection with the transactions contemplated hereby; (ii) the Town shall perform or have performed all of its obligations required under or specified in this Agreement and the Ordinance to be performed at, simultaneously with or prior to the Closing; and (iii) the Bonds shall have been executed and authenticated in accordance with the Ordinance.

(b) We may terminate this agreement by notification to you if at any time subsequent to the date hereof and at or prior to the Closing, (i) legislation shall be enacted by the Congress or adopted by either House thereof or a decision by a Court of the United States or the Tax Court of the United States shall be rendered, or a ruling, regulation or official statement by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made, with respect to Federal taxation upon revenues or other income of the general character expected to be derived by you and pledged under the Ordinance or upon interest received on bonds of the general character of the Bonds or which would have the effect of changing, directly or indirectly, the Federal income tax treatment of interest on bonds of the general character of the Bonds in the hands of the holders thereof, which in our opinion materially affects the market price of the Bonds; or (ii) a stop order, ruling, regulation, proposed regulation or statement by or on behalf of the Securities and Exchange Commission shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds is in violation of any provisions of the Securities Act of 1933, as amended or of the Trust Indenture Act of 1939, as amended; or (iii) legislation shall be enacted by the Congress or adopted by either House, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation or statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that securities of the Town or any similar public body are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended or the Trust Indenture Act of 1939, as amended; (iv) the United States shall have become engaged in hostilities that have resulted in a declaration of war or a national emergency; (v) other than

conflicts underway involving the United States government as of the date hereof, a war involving the United States which shall have been declared, or any conflict involving the armed forces of the United States which shall have escalated, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would materially adversely affect the market for the Bonds, or the sale, at the contemplated offering prices by the Underwriter as to the Bonds; (vi) there shall have occurred a general suspension of trading on the New York Stock Exchange or the declaration of a general banking moratorium by United States or New York or West Virginia State authorities, which in our opinion materially affects the market price of the Bonds; (vii) an event described in paragraph 6(k) hereof occurs which in our opinion requires a supplement or amendment to the Official Statement; or (viii) the market for the Bonds or the sale thereof by the Underwriter at the contemplated offering prices shall have been materially and adversely affected, in the opinion of the Underwriter, by reason of the fact that there has occurred a default with respect to the payment of principal of or interest on the debt obligations of, or the institution of proceedings under the Federal bankruptcy laws by or against, any state of the United States or public agency thereof or any city located in the United States with a population of more than 500,000;

(c) At or prior to the Closing, we shall receive the following documents:

(1) The Official Statement of the Town, executed on behalf of the Town by its Mayor;

(2) Fully authorized Ordinance;

(3) An opinion, dated the date of the Closing and addressed to the Town, of Steptoe & Johnson PLLC, Bond Counsel, in substantially the form attached as Appendix C to the Official Statement, and an unqualified opinion of such counsel, dated the date of the Closing and addressed to the Underwriter, to the effect that such opinion addressed to the Town may be relied upon by the Underwriter to the same extent as if such opinion were addressed to them;

(4) An opinion, dated the date of the Closing and addressed to the Town and the Underwriter, of Steptoe & Johnson PLLC, Bond Counsel, to the effect that the Town has designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code, that the Bonds are "qualified tax-exempt obligations", that the provisions of the Code which disallow all deductibility of interest expense incurred by financial institutions on debt incurred or continued to carry most tax-exempt obligations will not apply to the Bonds, and that, accordingly, 80% of the interest expense of a financial institution incurred for the purpose of purchasing or carrying the Bonds will be deductible for federal income tax purposes.

(5) A supplemental bond counsel opinion, dated the date of the Closing and addressed to the Underwriter, of Steptoe & Johnson PLLC, Bond Counsel, to the effect that (i) this Agreement has been duly authorized, executed and delivered by, and (assuming due authorization, execution and delivery by the other parties and that it is a binding agreement of the other parties in accordance with its terms) constitutes a binding agreement in accordance with its terms of, the Town; (ii) the Bonds are not subject to the registration requirements of the Securities

Act of 1933, as amended, and the Ordinance is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; (iii) the statements contained in the Official Statement under the caption "Tax Matters" are true and accurate in all material respects and presents a fair and accurate summary and description of the matters summarized and described under such caption; and (iv) the statements contained in the Official Statement under the captions "Additional Security for the Series 2007 A Bonds," "The Series 2007 A Bonds" (except for the statements made under the sub-captions "Book-Entry Only System" with respect to The Depository Trust Company), and "Financing Plan," insofar as such statements contained under such captions purport to summarize certain matters set forth therein and certain provisions of the Ordinance, are complete and accurate and present a fair summary of the matters referred to therein;

(6) An opinion, dated the date of Closing and addressed to the Underwriter, of Jack H. Walters, counsel for the Town, to the effect that (i) the Town has complied with all requirements of the Act that must be satisfied upon and subsequent to issuance of the Bonds, (ii) any requirement as to legal matters as the Underwriter shall reasonably require, (iii) no litigation is pending, or to their knowledge, threatened in any court in any way affecting the existence of the Town or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the issuance or delivery of the Bonds, or the collection of revenues and assets of the Town pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the Ordinance or this Agreement, or contesting the powers of the State with respect to the Bonds, the Ordinance or this Agreement or any transaction described in or contemplated by the Official Statement, (iv) that the Official Statement, as amended or supplemented to the date of Closing (except as aforesaid) contains no untrue statement regarding the Town of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein regarding the Town, in light of the circumstances under which they were made, not misleading, and (v) the statements contained in the Official Statement under the caption "The Project," "Financing Plan," and "The System," insofar as such statements contained under such caption purport to summarize certain matters set forth therein and certain provisions of the Ordinance, are complete and accurate and present a fair summary of the matters referred to therein;

(7) Duly authorized and executed copies of the Continuing Disclosure Certificate, in substantially the form attached as Appendix D to the Official Statement and incorporated herein, which complies with the provisions of Rule 15c2-12(b)(5);

(8) Two counterpart originals of a transcript of all proceedings relating to the authorization and issuance of the Bonds;

(9) An opinion, dated the date of the Closing and addressed to the Underwriter, of Goodwin & Goodwin, LLP, Underwriter's Counsel, to the effect that (i) this Agreement has been duly authorized, executed and delivered by, and (assuming due authorization, execution and delivery by the other parties and that it is a binding agreement of the other parties in accordance with its terms) constitutes a binding agreement in accordance with its terms of, the Underwriter; (ii) the Continuing Disclosure Certificate complies as to form in all material respects with the requirements of paragraph (b)(5) of the Rule; and (iii) that nothing has come to our

attention to suggest that the Official Statement, as amended or supplemented to the date of Closing (except as aforesaid) contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(10) Such additional legal opinions, certificates, instruments and other documents as the Underwriter or its counsel, Goodwin & Goodwin, LLP, reasonably may deem necessary or advisable to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the Town's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Town on or prior to the date of the Closing of all agreements then to be performed and all conditions then to be satisfied by the Town.

All of the opinions, letters, instruments and other documents mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriter and to Goodwin & Goodwin, LLP, counsel to the Underwriter.

If you shall be unable to satisfy the conditions of the obligations of the Underwriter contained in this Agreement, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the Underwriter nor you shall be under further obligation hereunder, and the respective obligations of you and the Underwriter for the payment of expenses, as provided in Paragraph 9 hereof, shall continue in full force and effect.

9. (a) The Issuer will pay or cause to be paid from proceeds of the Bonds or otherwise (i) fees and expenses of bond counsel, counsel to the Issuer, and Underwriter's counsel; (ii) initial fees of the Registrar; (iii) costs of preparing, printing, mailing and delivering the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto; (iv) fees and expenses of the Issuer, and (v) any other costs and expenses of the issue not set forth in (b) below.

(b) The Underwriter will pay (i) sales commissions associated with marketing the Bonds; (ii) costs of qualification of the Bonds for sale under the securities or "Blue Sky" laws of various jurisdictions; (iii) initial fees relating to The Depository Trust Company; and (iv) costs and expenses incurred by the Underwriter in connection with the preparation, offering and distribution of the Bonds, including but not limited to advertising, local and long distance telephone, and travel expenses, as well as management fees in connection with such offering.

10. Any notice or other communication to be given to you under this Agreement may be given by delivering the same in writing at your address set forth above, and any notice or other communication to be given to the Underwriter under this Agreement may be given by delivering the same in writing to Crews & Associates, Inc., 300 Summers Street, Suite 930, Charleston, West Virginia 25301, Attention: Gregory B. Isaacs.

11. This Agreement is made solely for the benefit of you and the Underwriter and no other person shall acquire or have any right hereunder or by virtue hereof. All your representations, warranties and agreements in this Agreement shall remain operative and in full force and effect, regardless of (a) any investigation made by or on behalf of the Underwriter, (b) delivery of, and payment for, the Bonds hereunder, and (c) any termination of this Agreement.

12. All of the Town's representations, warranties and agreements shall remain operative and in full force and effect regardless of any investigations made by the Underwriter or on its behalf, and shall survive delivery of the Bonds to the Underwriter.

13. This Agreement shall be construed and enforceable in accordance with the laws of the State of West Virginia and may not be assigned by the parties hereto.

Very truly yours,

CREWS & ASSOCIATES, INC.

By: _____
Vice President

Date: March 12, 2007

TOWN OF MOOREFIELD

By: _____
Mayor

Date: March 12, 2007

EXHIBIT A

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
03-01-2012	Term 1 Coupon	4.100%	4.100%	180,000.00	100.000%	180,000.00
03-01-2017	Term 2 Coupon	4.300%	4.300%	260,000.00	100.000%	260,000.00
03-01-2022	Term 3 Coupon	4.600%	4.600%	320,000.00	100.000%	320,000.00
03-01-2027	Term 4 Coupon	4.750%	4.750%	405,000.00	100.000%	405,000.00
03-01-2030	Term 5 Coupon	4.900%	4.900%	290,000.00	100.000%	290,000.00
03-01-2042	Term 6 Coupon	5.000%	5.100%	1,700,000.00	98.373%	1,672,341.00
Total	-	-	-	**$3,155,000.00**	-	**$3,127,341.00**

Extraordinary Redemption

If any of the following events shall have occurred, the Series 2007 A Bonds shall also be subject to redemption as follows:

(1) If there should occur any damage to or destruction of the System or any condemnation of title to or the use of the System, the applicable Series 2007 A Bonds shall be subject to redemption at any time at the redemption price of 100% of the principal amount thereof plus accrued interest to the Redemption Date from any condemnation awards or insurance proceeds which are not used to repair, rebuild or rearrange the System.

Optional Redemption

The Series 2007 A Bonds are subject to redemption at the option of the Town, prior to maturity, on or after March 1, 2017, in whole or in part at any time from amounts deposited with the Bond Commission by the Town or from other funds available therefore at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

If fewer than all of the Series 2007 A Bonds shall be called for optional redemption, the particular maturities of the Series 2007 A Bonds to be redeemed shall be selected by the Town in such manner as it shall determine. So long as the Series 2007 A Bonds are maintained under a book-entry system, the selection of individual ownership interests in the Series 2007 A Bonds to be credited with any partial redemption shall be made as described herein under "BOOK-ENTRY ONLY SYSTEM" in the Official Statement.

Mandatory Redemption

The Series 2007 Bonds maturing March 1, 2012, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2008, and on each March 1 thereafter to and including March 1, 2012, in annual principal amounts as follows:

Year	Amount
2008	$10,000
2009	40,000
2010	40,000
2011	45,000
2012 (Maturity)	45,000

The principal amount of Series 2007 Bonds maturing March 1, 2012, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2007 Bonds to be redeemed on the mandatory redemption date with

respect to such maturity next following such delivery or purchase.

The Series 2007 Bonds maturing March 1, 2017, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2013, and on each March 1 thereafter to and including March 1, 2017, in annual principal amounts as follows:

Year	Amount
2013	$50,000
2014	50,000
2015	50,000
2016	55,000
2017 (Maturity)	55,000

The principal amount of Series 2007 Bonds maturing March 1, 2017, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2007 Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2007 Bonds maturing March 1, 2022, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2018, and on each March 1 thereafter to and including March 1, 2022, in annual principal amounts as follows:

Year	Amount
2018	$60,000
2019	60,000
2020	65,000
2021	65,000
2022 (Maturity)	70,000

The principal amount of Series 2007 Bonds maturing March 1, 2022, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2007 Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2007 Bonds maturing March 1, 2027, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2023, and on each March 1 thereafter to and including March 1, 2027, in annual principal amounts as follows:

Year	Amount
2023	$75,000
2024	75,000
2025	80,000
2026	85,000
2027 (Maturity)	90,000

The principal amount of Series 2007 Bonds maturing March 1, 2027, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2007 Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2007 Bonds maturing March 1, 2030, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 Bonds Sinking Fund at a redemption price equal to 100% of the principal

amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2028, and on each March 1 thereafter to and including March 1, 2030, in annual principal amounts as follows:

Year	Amount
2028	$ 95,000
2029	95,000
2030 (Maturity)	100,000

The principal amount of Series 2007 Bonds maturing March 1, 2030, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2007 Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2007 Bonds maturing March 1, 2042, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2007 Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on March 1, 2031, and on each March 1 thereafter to and including March 1, 2042, in annual principal amounts as follows:

Year	Amount
2031	$105,000
2032	110,000
2033	120,000
2034	125,000
2035	130,000
2036	135,000
2037	145,000
2038	150,000
2039	160,000
2040	165,000
2041	175,000
2042 (Maturity)	180,000

The principal amount of Series 2007 Bonds maturing March 1, 2042, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2007 Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

$3,155,000
TOWN OF MOOREFIELD (WEST VIRGINIA)
Water Revenue Bonds, Series 2007 A (Tax-Exempt)

RULE 15c2-12 CERTIFICATE

The undersigned hereby certifies and represents to Crews & Associates, Inc. (the "Underwriter") that he is the duly elected or appointed and acting Mayor of The Town of Moorefield (the "Issuer"), authorized to execute and deliver this Certificate and further certifies on behalf of the Issuer to the Underwriter as follows:

(1) This Certificate is delivered to enable the Underwriter to comply with Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") in connection with the offering and sale of the Issuer's Water Revenue Bonds, Series 2007 A (Tax-Exempt) (the "Bonds").

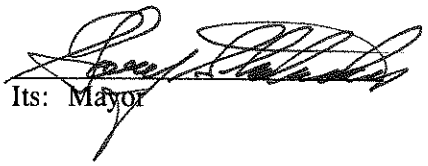
(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement, dated March 9, 2007, setting forth information concerning the Bonds and the issuer of the Bonds (the "Preliminary Official Statement").

(3) As used herein, "Permitted Omissions" shall mean the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings, the identity of the Underwriter and other terms of the Bonds and any underlying obligations depending on such matters, all with respect to the Bonds and any underlying obligations.

(4) The Preliminary Official Statement is, except for the Permitted Omissions, final as of its date, and the information therein is accurate and complete except for the Permitted Omissions.

(5) If, at any time prior to the execution of the final bond purchase agreement, any event occurs as a result of which the Preliminary Official Statement might include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Issuer shall promptly notify the Underwriter thereof.

IN WITNESS WHEREOF, I have hereunto set my hand as of the 9th day of March, 2007.

By: 
Its: Mayor

The Depository Trust Company

A subsidiary of The Depository Trust & Clearing Corporation

BLANKET ISSUER LETTER OF REPRESENTATIONS

[To be Completed by Issuer and Co-Issuer(s), if applicable]

TOWN OF MOOREFIELD

[Name of Issuer and Co-Issuer(s), if applicable]

February 27, 2007

[Date]

[For Municipal Issues:
Underwriting Department—Eligibility; 25th Floor]
[For Corporate Issues:
General Counsel's Office; 22nd Floor]
The Depository Trust Company
55 Water Street
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request be made eligible for deposit by The Depository Trust Company ("DTC").

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that Issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Received and Accepted:
THE DEPOSITORY TRUST COMPANY

By: _____

DTCC

The Depository Trust & Clearing Corporation

Very truly yours,

TOWN OF MOOREFIELD
(Issuer)

By: _____
(Authorized Officer's Signature)

Gary Stalnaker, Mayor
(Print Name)

206 Winchester Avenue
(Street Address)

Moorefield, WV 26836
(City) (State) (Country) (Zip Code)

(304) 530-6142
(Phone Number)

townofmfld@hardynet.com
(E-mail Address)

[3/05]

(To Blanket Issuer Letter of Representations)

SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC—bracketed material may be applicable only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue,and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com** and **www.dtc.org**.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner")is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity

of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

$3,155,000

TOWN OF MOOREFIELD (WEST VIRGINIA)
WATER REVENUE BONDS, SERIES 2007 A (TAX-EXEMPT)

REGISTRAR AGREEMENT FOR SERIES 2007 A BONDS

THIS AGREEMENT, dated as of March 16, 2007, by and between the TOWN OF MOOREFIELD, a municipal corporation and political subdivision of the State of West Virginia (the "Issuer"), and UNITED BANK, INC., a state banking corporation, as Registrar (the "Bank") under an Ordinance of the Issuer enacted February 28, 2007, as supplemented (collectively, the "Ordinance").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its $3,155,000 aggregate principal amount of Water Revenue Bonds, Series 2007 A (Tax-Exempt) (the "Series 2007 A Bonds"), pursuant to the Ordinance;

WHEREAS, capitalized words and terms used in this Agreement and not otherwise defined herein shall have the respective meanings given them in the Ordinance;

WHEREAS, the Ordinance provides for an appointment by the Issuer of a Registrar for the Series 2007 A Bonds; and

WHEREAS, the Issuer desires to appoint, and by the Ordinance and this Agreement does appoint the Bank to act as Registrar under the Ordinance and to take certain other actions hereinafter set forth;

NOW, THEREFORE, it is agreed by and between the parties hereto as follows:

1. Upon the execution of this Agreement by the Issuer and the Bank and during the term hereof, the Bank does accept and shall have and agrees to perform all of the powers and duties of Registrar as set forth in the Ordinance, such duties including, among other things, the duties to authenticate, register and deliver Series 2007 A Bonds upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the excludability from gross income of interest on the Series 2007 A Bonds for purposes of federal income taxation, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Issuer advises it of and with generally accepted industry standards.

2. The Bank agrees to furnish the Issuer with appropriate records of all transactions carried out by it as Registrar and to furnish the Issuer with the names and specimen signatures of the Bank's authorized officers for the purposes of acting as the Bank and with such other information and reports as the Issuer may from time to time reasonably require.

3. The Bank shall have no responsibility or liability for any action taken by it at the specific direction of the Issuer.

4. As compensation for acting as Registrar pursuant to this Agreement and the Ordinance, the Issuer hereby agrees to pay to the Bank, from time to time, the compensation for services rendered as provided in the annexed schedule and reimbursement for reasonable expenses incurred in connection therewith.

5. It is intended that this Agreement shall carry out and implement provisions of the Ordinance with respect to the Registrar. In the event of any conflict between the terms of this Agreement and the Ordinance, the terms of the Ordinance shall govern.

6. The Issuer and the Bank each warrants and represents that it is duly authorized and empowered to execute and enter into this Agreement and that neither such execution nor the performance of its duties hereunder or under the Ordinance will violate any order, decree or agreement to which it is a party or by which it is bound.

7. This Agreement may be terminated by either party upon 60 days' written notice sent by registered or certified mail to the other party, at the following respective addresses:

ISSUER: Town of Moorefield
206 Winchester Avenue
Moorefield, West Virginia 26836
Attention: Mayor

BANK: United Bank, Inc.
500 Virginia Street, East
Charleston, West Virginia 25301
Attention: Corporate Trust

8. The Bank, as Registrar, is hereby requested and authorized to authenticate and deliver the Series 2007 A Bonds in accordance with the Ordinance.

9. If any one or more of the covenants or agreements provided in this Agreement to be performed on the part of any of the parties hereto shall be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

10. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the TOWN OF MOOREFIELD and UNITED BANK, INC., have caused this Agreement to be signed in their respective names and on their behalf, all as of the date first above-written.

TOWN OF MOOREFIELD

By: _____
Its: Mayor

UNITED BANK, INC.

By: _____
Its: Vice President and Trust Officer

03.07.07
621500.00002

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

NEW ISSUE REPORT FORM

Date of Report: March 16, 2007

(See Reverse for Instructions)

ISSUE: Town of Moorefield (West Virginia) Water Revenue Bonds, Series 2007 A (Tax-Exempt)

ADDRESS: 206 Winchester Avenue, Moorefield, WV 26836 COUNTY: Hardy

PURPOSE OF ISSUE: New Money: x
Refunding: _____

REFUNDS ISSUE(S) DATED: N/A

ISSUE DATE: March 16, 2007

CLOSING DATE: March 16, 2007

ISSUE AMOUNT: $ 3,155,000

RATE: See Attached Debt Service Schedule

1ST DEBT SERVICE DUE: September 1, 2007

1ST PRINCIPAL DUE: March 1, 2008

1ST DEBT SERVICE AMOUNT: $75,863.75

PAYING AGENT: WV Municipal Bond Commission

BOND
COUNSEL: Steptoe & Johnson PLLC
Contact Person: John C. Stump, Esquire
Phone: 304.353.8196

UNDERWRITERS
COUNSEL: Goodwin & Goodwin
Contact Person: William K. Bragg, Jr., Esquire
Phone: 304.346.7000

CLOSING BANK First United Bank & Trust
Contact Person: Vickie Pratt, Office Manager
Phone: 304.538.7881

ESCROW TRUSTEE: N/A
Contact Person: _____
Phone: _____

KNOWLEDGEABLE ISSUER CONTACT
Contact Person: Gary Stalnaker
Position: Mayor
Phone: 304.530.6142

OTHER: Underwriter - Crews & Associates, Inc.
Contact Person: Greg Isaacs
Function: Vice President
Phone: 304.344.1733

DEPOSITS TO MBC AT CLOSE:
By: X Wire
_____ Check

X Accrued Interest: $ 6,321.98
X Capitalized Interest: $ 104,696.23
X Reserve Account: $ 194,347.50
____ Other: _____ $ _____

REFUNDS & TRANSFERS BY MBC AT CLOSE
By: _____ Wire
_____ Check
_____ IGT

____ To Escrow Trustee: $ _____
____ To Issuer $ _____
____ To Cons. Invest. Fund $ _____
____ To Other: _____ $ _____

NOTES: _____

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

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

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

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

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

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

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

TOWN OF MOOREFIELD

BOND AND LINE OF CREDIT ORDINANCE -- WATER PROJECT

INDEX

		PAGE
ARTICLE I	STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS	1
Section 1.01.	Definitions	1
Section 1.02.	Authority of this Ordinance	10
Section 1.03.	Findings	10
Section 1.04.	Ordinance Constitutes Contract	13
ARTICLE II	AUTHORIZATION OF EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO SYSTEM	13
Section 2.01.	Authorization of Extensions, Additions, Betterments and Improvements	13
ARTICLE III	AUTHORIZATION, TERMS, EXECUTION AND REGISTRATION OF BONDS	13
Section 3.01.	Authorization and Terms of Original Bonds	13
Section 3.02.	Execution of Bonds	15
Section 3.03.	Authentication and Registration	15
Section 3.04.	Negotiability Transfer and Registration	15
Section 3.05.	Bonds Mutilated, Destroyed, Stolen or Lost	16
Section 3.06.	Bonds not to be Indebtedness of the Town	17
Section 3.07.	Bonds Secured by Pledge of Gross Revenues; Supplemental Bonds to be Junior and Subordinate to Primary Bonds	17
Section 3.08.	Form of Original Bonds	17
Section 3.09.	Sale of Original Bonds; Execution of WDA Loan Agreements	30

		PAGE
ARTICLE IV	LINE OF CREDIT.....	30
Section 4.01.	Authorization of Line of Credit.....	30
Section 4.02.	Authorization of Credit Line Note....	30
Section 4.03.	Execution of Credit Line Note.	31
Section 4.04.	Negotiability Transfer and Registration.....	31
Section 4.05.	Form of Credit Line Note.....	32
Section 4.06.	Proceeds of Draw Under the Line of Credit Agreement.....	32
ARTICLE V	SYSTEM REVENUES AND APPLICATION THEREOF...	32
Section 5.01.	Establishment of Funds and Accounts with Depository Bank.....	32
Section 5.02.	Establishment of Funds and Accounts with Commission.....	33
Section 5.03.	System Revenues; Flow of Funds.....	33
ARTICLE VI	APPLICATION OF ORIGINAL BOND PROCEEDS; FUNDS AND ACCOUNTS.....	38
Section 6.01.	Application of Original Bond Proceeds.....	38
Section 6.02.	Bond Construction Trust Fund.....	38
ARTICLE VII	ADDITIONAL COVENANTS OF THE TOWN.....	40
Section 7.01.	General Covenants of the Town.....	40
Section 7.02.	Bonds and Notes Not To Be Indebtedness of the Town.....	40
Section 7.03.	Bonds Secured by Pledge of Gross Revenues; Statutory Mortgage Lien..	40
Section 7.04.	Rates.....	41
Section 7.05.	Completion, Operation and Maintenance.....	42

		PAGE
Section 7.06.	Sale of the System.....	43
Section 7.07.	Issuance of Other Obligations Payable out of Revenues and General Covenant Against Encumbrances.....	44
Section 7.08.	Parity Bonds.....	44
Section 7.09.	Insurance.....	47
Section 7.10.	Services Rendered to the Town.....	48
Section 7.11.	Enforcement of Collections.....	48
Section 7.12.	No Competing Franchise.....	49
Section 7.13.	Books and Records.....	49
Section 7.14.	Operating Budget.....	50
Section 7.15.	Connection.....	50
Section 7.16.	Covenant to Amend Ordinance.....	50
Section 7.17.	Public Purpose Bonds.....	51
Section 7.18.	Private Activity Bond Covenant.....	51
Section 7.19.	Filing Covenant.....	51
Section 7.20.	Federal Guarantee Covenant.....	51
Section 7.21.	Rebate Covenant.....	51
ARTICLE VIII	INVESTMENT OF FUNDS.....	52
Section 8.01.	Investments.....	52
Section 8.02.	Restrictions as to Arbitrage Bonds...	53
Section 8.03.	Restriction of Yield on Bond Proceeds.....	53
ARTICLE IX	DEFAULT AND REMEDIES.....	53
Section 9.01.	Events of Default.....	53

PAGE

Section 9.02. Remedies..... 53

Section 9.03. Appointment of Receiver..... 54

ARTICLE X DEFEASANCE..... 55

Section 10.01. Defeasance..... 55

ARTICLE XI MISCELLANEOUS..... 57

Section 11.01. Modification or Amendment..... 57

Section 11.02. Severability of Invalid Provisions... 58

Section 11.03. Repeal of Conflicting Ordinances..... 58

Section 11.04. Covenant of Due Procedure..... 58

Section 11.05. Effective Date..... 58

Exhibit A: Project Description
Exhibit B: Loan Agreement
Exhibit C: Supplemental Loan Agreement

BOND AND LINE OF CREDIT ORDINANCE

Introduced in Council

10/27/87

Introduced by

Passed by Council

11/3/87

AN ORDINANCE SUPPLEMENTING AN ORDINANCE PASSED BY THE COUNCIL OF THE TOWN OF MOOREFIELD, WEST VIRGINIA ON OCTOBER 1, 1974, ENTITLED "ORDINANCE AUTHORIZING THE ISSUANCE OF $245,000 WATER REVENUE BONDS, SERIES 1974 OF THE TOWN OF MOOREFIELD TO FINANCE PART OF THE COST OF IMPROVEMENTS TO THE EXISTING WATERWORKS; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING FOR THE FIXING, ESTABLISHING AND COLLECTING OF RATES AND CHARGES FOR THE SERVICES AND FACILITIES OF THE WATERWORKS"; AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE WATERWORKS SYSTEM OF THE TOWN OF MOOREFIELD; AUTHORIZING THE ISSUANCE OF NOT MORE THAN $500,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1987, AND NOT MORE THAN $200,000 IN AGGREGATE PRINCIPAL AMOUNT OF SUPPLEMENTAL WATER REVENUE BONDS, SERIES 1987, TO BE USED, ALONG WITH OTHER FUNDS AND MONEYS OF, OR AVAILABLE TO, THE TOWN OF MOOREFIELD WHICH MAY BE LAWFULLY EXPENDED FOR SUCH PURPOSES, TO FINANCE THE COST OF SUCH ACQUISITION AND CONSTRUCTION, TO FUND RESERVE ACCOUNTS FOR SUCH BONDS, TO PROVIDE FOR CAPITALIZED INTEREST DURING CONSTRUCTION AND TO PAY OTHER COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE OWNERS OF SUCH BONDS; AUTHORIZING AN IRREVOCABLE LINE OF CREDIT IN AN AMOUNT NOT TO EXCEED $100,000 TO PROVIDE FUNDS FOR SUCH ACQUISITION AND CONSTRUCTION PENDING THE RECEIPT OF CERTAIN GRANT PROCEEDS; AND ENACTING OTHER PROVISIONS RELATED THERETO.

Be It Ordained and Enacted by the Council of the Town of Moorefield, 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" shall mean Chapter 8, Article 19, of the Code of West Virginia, 1931, as amended and in effect on the date of enactment of this Ordinance.

B. "ARC" shall mean the Appalachian Regional Commission and any successor thereto.

C. "Authority" shall mean the West Virginia Water Development Authority, which is expected to be the original purchaser of the Original Bonds, or any other agency of the State of West Virginia that succeeds to the function of the Authority.

D. "Bond Construction Trust Fund" shall mean the, fund created by Section 5.01(3) hereof.

E. "Bondholder" or "Owner of the Bonds" or "Registered Owner" or "Owner" or any similar term shall mean any person who shall be the registered owner of any outstanding Bond or Bonds, as hereinafter defined.

F. "Bond Registrar" means the bank to be designated such in the Supplemental Resolution, as hereinafter defined, and its successors or assigns.

G. "Bonds" means the Original Bonds, as hereinafter defined, and any additional parity bonds hereafter issued within the terms, restrictions and conditions contained in this Ordinance.

H. "Code" shall mean the United States Internal Revenue Code of 1986 as it may from time to time be amended and any regulations promulgated pursuant thereto or any applicable regulations promulgated pursuant to any predecessor thereto.

I. "Commission" shall mean the West Virginia Municipal Bond Commission or any other agency of the State of West Virginia which succeeds to the functions of the Commission.

J. "Consulting Engineers" shall mean William Pallavicini, Consulting Engineer, Petersburg, West Virginia, or any engineer or firm of engineers which shall at any time hereafter be retained by the Town as Consulting Engineers for the System.

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

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

M. "Depository Bank" shall mean the bank, eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC, as hereinafter defined, designated as such in the Supplemental Resolution, as hereinafter defined, and any successors thereto.

N. "EDA" shall mean the United States Department of Commerce, Economic Development Authority and any successor thereto.

O. "EDA Grant" shall mean the grant from the EDA pursuant to the commitment therefor.

P. "FDIC" shall mean the Federal Deposit Insurance Corporation and any successor to the functions of the FDIC.

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

R. "Government Obligations" shall mean direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America, including (i) such obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from such obligations and receipts or certificates evidencing payments from such obligations or interest coupons stripped from such obligations, (ii) evidences of ownership of a proportionate interest in specified direct obligations of, or specified obligations which are unconditionally and fully guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian and (iii) obligations, the sole source of the payment of the principal of and interest on which are obligations of the nature of those described in clause (i), which are irrevocably pledged for such purposes.

S. "Grant Agreement" shall mean a written commitment for the payment of the EDA Grant or any of the Other Grants, the amount of such grant, the terms and conditions under which such grant is made and the date or dates or event or events upon which the grant is to be paid to the Town; provided that "EDA Grant Agreement" means only the Grant Agreement relating to the EDA Grant and "Other Grant Agreements" means only those Grant Agreements relating to the Other Grants.

T. "Grant Receipts" shall mean all monies received by the Town on account of any Grant after the date of issuance of the Notes; provided that "EDA Grant Receipts" means only Grant Receipts on account of the EDA Grant and "Other Grant Receipts" means only Grant Receipts on account of any and all Other Grants.

U. "Grants" shall mean, collectively, the EDA Grant and the Other Grants, as hereinafter defined.

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

W. "Independent Accountants" shall mean any certified public accountant or firm of certified public accountants that shall be retained by the Town to prepare an independent annual or special audit of the accounts of the System, as hereinafter defined, or for any other purpose except keeping the accounts of such System in the usual operations of its business and affairs.

X. "Line of Credit" means the irrevocable line of credit in an amount not to exceed $100,000 authorized by section 4.01.

Y. "Line of Credit Agreement" shall mean the agreement establishing a line of credit, said agreement to be approved in a substantial form by the Supplemental Resolution.

Z. "Loan Agreement" shall mean the Loan Agreement between the Authority and the Town, in substantially the form attached as Exhibit "B" hereto and incorporated herein by reference, with any changes, insertions or deletions as may be requested by the Authority and approved by Supplemental Resolution, as hereinafter defined, providing for the purchase of the Original Primary Bonds from the Town by the Authority.

AA. "Mayor" shall mean the Mayor of the Town.

BB. "Net Revenues" shall mean the balance of the Gross Revenues remaining after deduction of Operating Expenses, as hereafter defined.

CC. "Noteholder," "Holder of the Notes" or any similar term shall mean the person who shall be the registered owner of any outstanding Note or Notes, as hereinafter defined.

DD. "Notes" or "Credit Line Note" shall mean the not more than $100,000 in aggregate principal amount of a Note or Notes evidencing the Town's obligation to repay any draw upon the Line of Credit originally authorized hereby, and unless the context clearly indicates otherwise, the term "Notes" means any refunding Notes of the Town.

EE. "Notes Registrar" shall mean the Bank to be designated as such in the Supplemental Resolution and its successors and assigns.

FF. "Operating Expenses" shall mean the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the Costs, fees and expenses of the Authority, any fiscal agents and the Bond and Note registrars and paying agents (both as hereinafter defined), other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds or the principal of the Supplemental 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.

GG. "Ordinance" means this Ordinance, as hereafter amended or supplemented.

HH. "Original Bonds" or "Bonds originally authorized hereby" or similar phrases shall mean, collectively, the Original Primary Bonds and the Original Supplemental Bonds, issued for the purpose of paying a portion of the Costs of the Project and for such other purposes permitted hereby and authorized by a resolution supplemental hereto.

II. "Original Notes Purchaser" shall mean in the event a Note or Notes evidencing the Town's obligation to repay any draw upon any Line of Credit are issued, such Bank or Banks as shall be named in a resolution supplemental hereto.

JJ. "Original Primary Bonds" shall mean the not more than $500,000 in aggregate principal amount of Water Revenue Bonds, Series 1987, originally authorized by this Ordinance to pay a portion of the Costs of the Project.

KK. "Original Supplemental Bonds" shall mean the not more than $200,000 in aggregate principal amount of Supplemental Water Revenue Bonds, Series 1987, originally authorized by this Ordinance to pay a portion of the Costs of the Project.

LL. "Other Grants" shall mean collectively, the Grant from ARC and the Grant from the State of West Virginia, together with any other grants, other than the EDA Grant, hereafter received by the Town to aid in financing any Costs.

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

NN. "Parity Bonds" means, collectively, Parity Primary Bonds and Parity Supplemental Bonds all as hereinafter defined.

OO. "Parity Primary Bonds" shall mean additional bonds issued under the provisions and within the limitations prescribed by Section 7.08 hereof, payable from Gross Revenues on a parity with the Original Primary Bonds.

PP. "Parity Supplemental Bonds" shall mean additional bonds issued under the provisions and within the limitations prescribed by Section 7.08 hereof, payable from Gross Revenues on a parity with the Original Supplemental Bonds.

QQ. "Paying Agent" shall mean the West Virginia Municipal Bond Commission or any successor to the functions thereof.

RR. "Primary Bonds" shall mean the Original Primary Bonds and any pari passu additional Primary Bonds hereafter issued within the terms, restrictions and conditions contained in this Ordinance.

SS. "Prior Bonds" shall mean the Town's Water Revenue Bonds, Series 1974, dated August 12, 1975, issued in the principal amount of $245,000 and currently outstanding in the principal amount of $202,262.13.

TT. "Prior Ordinance" shall mean the ordinance passed by the Council of the Town on October 1, 1974, authorizing the issuance of the Prior Bonds.

UU. "Program" shall mean the Authority's loan program, under which the Authority purchases the water development revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of water development revenue bonds of the Authority.

VV. "Project" shall mean the additions, betterments and improvements described in Exhibit A attached hereto to the existing waterworks system of the Town.

WW. "Qualified Investments" shall mean and include 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 Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; the Government National Mortgage Association; the Tennessee Valley Authority or the Washington Metropolitan Area Transit Authority;

(c) Any bond, debenture, note, participation certificate or other similar obligation 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 Federal Deposit Insurance Corporation ("FDIC") or Federal Savings and Loan Insurance Corporation, shall be secured by a pledge of Government Obligations, provided, that said Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time accounts or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time accounts;

(e) Money market funds or similar funds, the only assets of which are investments of the type described in paragraphs (a) thru (d) above;

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

(g) 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; and

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

XX. "Recorder" shall mean the Recorder of the Town.

YY. "Registrar" shall mean the bank designated as such for the Bonds and for the Notes respectively in the Supplemental Resolution, as hereinafter defined, and any successors thereto.

ZZ. "Renewal and Replacement Fund" shall mean the depreciation fund created by Section 5.01(2) hereof.

AAA. "Reserve Account" shall mean the account in the Sinking Fund, as hereinafter defined, created by Section 5.02(1)(a) hereof.

BBB. "Reserve Account Requirement" shall mean the maximum amount of principal and interest which will mature and come due on the Primary Bonds in any year.

CCC. "Revenue Fund" shall mean the revenue fund created by Section 3.02(A) of the Prior Ordinance so long as the Prior Bonds are outstanding and, thereafter, the fund created by Section 5.01(1) hereof.

DDD. "Sinking Fund" shall mean the fund created by Section 5.02(1) hereof.

EEE. "State" shall mean the State of West Virginia.

FFF. "Supplemental Bonds" shall mean the Original Supplemental Bonds and any pari passu additional Supplemental Bonds hereafter issued within the terms, restrictions and conditions contained in this Ordinance.

GGG. "Supplemental Loan Agreement" shall mean the Supplemental Loan Agreement between the Authority and the Town, in substantially the form attached as Exhibit "C" hereto and incorporated herein by reference, with any changes, insertions, or deletions requested by the Authority and approved by Supplemental Resolution, providing for the purchase of the Original Supplemental Bonds from the Town by the Authority.

HHH. "Supplemental Reserve Account" shall mean the account established in the Supplemental Sinking Fund pursuant to Section 5.02(2)(a) hereof.

III. "Supplemental Reserve Requirement" shall mean as of any date of calculation, the maximum amount of principal which will become due on the Supplemental Bonds in any year.

JJJ. "Supplemental Resolution" shall mean any resolution, ordinance or order of the Town supplementing or amending this Ordinance and, when preceded by the article "the", refers specifically to the supplemental resolutions authorizing the sale of the Original Bonds or the Note; provided, that any matter intended by this Ordinance to be included in the Supplemental Resolution with respect to the Original Bonds and not so included may be included in another Supplemental Resolution.

KKK. "Supplemental Sinking Fund" shall mean the fund established by Section 5.02(2) hereof.

LLL. "System" shall mean the complete existing water-works system now owned by the Town, consisting of a waterworks system in its entirety or any integral part thereof, and includes the Project and any further additions, betterments and improvements thereto.

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

NNN. "Town" shall mean the Town of Moorefield, a municipal corporation of the State of West Virginia, and, when appropriate, also means the Council thereof and any department, board, organization or institution thereof in control of the management and operation of the System, as hereinafter defined.

OOO. "WDA Loan Agreements" shall mean, collectively, the Loan Agreement and the Supplemental Loan Agreement.

PPP. Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations. Words importing the masculine gender include all other genders.

QQQ. 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 generally accepted accounting principles.

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

SSS. 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 Chapter 8, Article 19, of the Code of West Virginia, 1931, as amended (the "Act"), and other applicable provisions of law.

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

A. The Town now owns a water system, consisting of a waterworks system in its entirety or any integral part thereof, including some or all of mains, hydrants, meters, valves, standpipes, storage tanks, pump tanks, pumping stations, intakes, wells, impounding reservoirs, pumps, machinery, purification plants, softening apparatus and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to a water supply system.

B. The acquisition and construction of the System was financed in part with the proceeds from $245,000 in principal amount of the Town's Water Revenue Bonds, Series 1974, authorized pursuant to an ordinance of the Town passed on October 1, 1974.

C. The Prior Bonds of the Town are currently outstanding in the principal amount of $202,262.13.

D. The Town derives revenues from the System, and, except for the pledges thereof to secure and pay the Prior Bonds, said revenues are not pledged or encumbered in any manner.

E. 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 (the "Project") at an estimated cost of $1,600,000, in accordance with the plans and specifications prepared and revised by the Consulting Engineer, which plans and specifications are on file with the Town, and which Project is generally described in Exhibit A attached hereto and by this reference made a part hereof and has an estimated useful life in excess of forty (40) years.

F. The estimated gross revenues to be derived in each year after the enactment of this Ordinance from the operation of said System will be sufficient to pay all the costs of the operation and maintenance of said System, the principal of and interest on the Primary Bonds, the principal of the Supplemental Bonds and all Sinking Fund and other

payments provided for in this Ordinance and the principal of and interest on and debt service requirements for the Prior Bonds and any other payments under the Prior Ordinance. The Primary Bonds will be on a parity as to source of and security for payment with the Prior Bonds.

G. It is deemed necessary for the Town to issue its Original Bonds to permanently finance the costs of acquisition and construction of the additions, betterments and improvements to the System herein described and to issue the Notes to temporarily finance costs of acquisition and construction pending receipt of the Grant Receipts. Said costs shall be deemed to include the cost of the acquisition of any real property involved; the cost of the construction of said additions, betterments and improvements to the System and any other expenses necessary, incidental, desirable or appurtenant to the acquisition and construction of such additions, betterments and improvements to the System; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; expenses for registrars and for paying, fiscal or other agents in connection with the issuance of the Original Bonds or the Notes; fees and expenses of the Authority; interest on the Original Primary Bonds prior to, during and for 6 months after completion of construction of the Project and interest on the Notes for the term thereof; and such other expenses as may be necessary or desirable to said acquisition and construction of the additions, betterments and improvements to the System authorized by this Ordinance and the financing authorized by this Ordinance.

H. It is in the best interests of the Town that its Original Bonds be sold to the Authority pursuant to the terms and provisions of the WDA Loan Agreements.

I. The Town has complied with all requirements of West Virginia law relating to authorization of the construction, acquisition and operation of the Project and issuance of the Original Bonds, or will have so complied prior to the issuance of any thereof, including, among other things, the obtaining of a Certificate of Convenience and Necessity from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will have expired without rehearing or appeal prior to the issuance of the Original Bonds.

J. The Town has met the conditions for the issuance of bonds on a parity with the Prior Bonds and the Town has made and will continue to make all payments and has complied with all covenants, agreements and terms required by the Prior Ordinance.

K. The Town is authorized to issue parity bonds on a parity with the first lien of the Prior Bonds issued pursuant to the Prior Ordinance.

L. The Town hereby finds and determines that the net revenues actually derived from the System during the fiscal year immediately preceding the date of the Original Bonds have been more than sufficient to comply with the requirements of Section 4.05(B) of the Prior Ordinance.

M. Prior to the issuance of the Original Bonds, a certified public accountant not in the regular employ of the Town shall file with the Recorder a certificate that the net revenues actually derived from the System during the fiscal year immediately preceding the date of issuance of the Original Bonds shall have been not less than one hundred twenty per centum (120%) of the average aggregate amount which will mature or become due in any succeeding fiscal year for principal of and interest on the Prior Bonds then outstanding, there being no other obligations then outstanding which are payable from the revenues of the System, or any part thereof, and on the Original Bonds.

N. The Code provides exceptions from the rebate provisions for issues of small governmental units meeting certain requirements.

O. It is in the best interests of the Town and its inhabitants to qualify for this small governmental unit exception from the rebate provisions.

P. The Town is a governmental unit with general taxing powers.

Q. The Original Bonds are not "private activity bonds" as defined by the Code.

R. Ninety-Five percent (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.

S. 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.

T. The Town shall not permit at any time any of the proceeds of the 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.

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

V. The Bonds will not be federally guaranteed within the meaning of the Code.

W. It is reasonably anticipated that all proceeds of the original Bonds will be spent within three years of May 22, 1986.

Section 1.04. Ordinance Constitutes Contract. In consideration of the acceptance of the Original Bonds, the Notes and any other bonds authorized to be issued hereunder by those who shall own 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 Noteholders, 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 owners of any and all of such Primary Bonds and of such Supplemental Bonds and Notes, as the case may be, all of which Primary Bonds and Supplemental Bonds, respectively, shall be of equal rank and without preference, priority or distinction between any one Primary Bond and any other Primary Bond or Prior Bond or between any one Supplemental Bond and any other Supplemental Bond, as the case may be, and between any one Note and any other Note, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

ARTICLE II

AUTHORIZATION OF EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO SYSTEM

Section 2.01. Authorization of Extensions, Additions, Betterments and Improvements. There is hereby authorized the acquisition and construction 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 and Terms of Original Bonds. For the purpose of financing a portion of the costs of the acquisition and construction of the Project not otherwise provided, for paying the cost of issuance of the Original Bonds

and, if authorized by Supplemental Resolution, of funding the Reserve Account and the Supplemental Reserve Account or for providing for interest during construction or both, there shall be issued the Original Bonds of the Town. Such Originals Bonds shall be issued contemporaneously with or prior to any issuance of the Notes. The proceeds of the Original Bonds shall be applied as provided in Section 6.01. The Original Bonds shall be issued in two or more series, to be designated, respectively, "Water Revenue Bonds, Series 1987" in an aggregate principal amount of not more than $500,000, and "Supplemental Water Revenue Bonds, Series 1987," in the aggregate principal amount of not more than $200,000. The Original Bonds shall be dated as of the date of delivery thereof, shall mature on October 1 in such years, not exceeding forty (40) years after the date of issuance; and in such amounts as shall be set out in Schedule X to the WDA Loan Agreements, respectively. The Original Primary Bonds shall bear interest at the rate not to exceed twelve percent per annum, payable semiannually, on April 1 and October 1 of each year, beginning on the first interest payment date following issuance and delivery of the Original Primary Bonds. The Original Supplemental Bonds bear no interest. The Original Bonds shall be subject to redemption only with the written consent of the Authority and otherwise in compliance with WDA Loan agreements, so long as the Authority shall be the registered owner of the Original Bonds and contain such other terms, provisions, conditions and limitations, all as provided by this Ordinance and the WDA Loan Agreements and as the Council of the Town shall prescribe by resolution (or by supplemental or amendatory ordinance of said Council as said Council shall determine) adopted in connection with the sale of such Original Bonds.

The Bonds shall be payable as to principal at the principal office of the Paying Agent in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Bonds shall be paid by check or draft mailed to the registered owner thereof at the address as its appears on the books of the Bond Registrar, provided, that so long as the Authority is the owner thereof, interest on the Original Primary Bonds may be paid by wire transfer or other methods satisfactory to the Town, the Paying Agent and the Authority.

Unless otherwise provided by the Supplemental Resolution, the Original Bonds shall be issued in the form of a single bond for each issue, fully registered to the Authority, with a principal payment schedule record attached, representing the aggregate principal amount of each issue, and shall mature in principal installments, all as provided in the WDA Loan Agreements and said Supplemental Resolution. Bonds shall be

exchangeable at the option and expense of the Bondholder for other fully registered Bonds in aggregate principal amount equal to the amount of said Bonds then Outstanding, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds may be issued within the terms and restrictions hereinafter set forth as provided by a Supplemental Resolution.

Section 3.02. Execution of Bonds. Said Bonds shall be executed in the name of the Town by the Mayor, and the seal of the Town shall be affixed thereto or imprinted thereon and attested by the Recorder. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Town before the Bonds so signed and sealed have been 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 Bonds may be signed and sealed on behalf of the Town by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Town, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.03. 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 Section 3.08 shall have been duly manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Ordinance. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.04. Negotiability Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Bonds shall be, and have all of the qualities and incidents of, negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive owner, in accepting any of said Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable

instruments under the Uniform Commercial Code of the State of West Virginia, and each successive owner shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Bonds remain outstanding, the Town, through the Bond Registrar, shall keep and maintain books for the registration and transfer of the Bonds.

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

In all cases in which the privilege of exchanging Bonds or transferring Bonds are exercised, Bonds shall be delivered in accordance with the provisions of this Ordinance. All Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith; provided, that any such sum or sums incurred upon the initial transfer or exchange, upon the partial redemption of a Bond or by the Authority shall be paid by the Town. The Bond Registrar shall not be obliged to make any such exchange or transfer of Bonds during the period beginning with the 15 day of the month preceding an interest payment date.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Town may at the discretion of the Council issue and the Bond Registrar shall authenticate and deliver, a new Bond or Bonds of the tenor as the Bond or Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond or Bonds, upon surrender and cancellation of such mutilated Bond or Bonds, or in lieu of and substitution for the Bond or Bonds destroyed, stolen or lost, and upon the Owner'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. All Bonds 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 Bonds issued pursuant to this section shall constitute original, additional contractual obligations on the part of the Town, whether or not the lost, stolen or destroyed Bonds be at any time found by any one, and such duplicate Bonds 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 Primary Bonds or Supplemental Bonds, as the case may be, issued hereunder.

Section 3.06. Bonds not to be Indebtedness of the Town. The Bonds shall not, in any event, be or constitute an indebtedness of the Town within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Gross Revenues derived from the operation of the System as herein provided. No Owner or Owners of any of the Bonds shall ever have the right to compel the exercise of the taxing power of the Town to pay the Bonds or any interest thereon.

Section 3.07. Bonds Secured by Pledge of Gross Revenues; Supplemental Bonds to be Junior and Subordinate to Primary Bonds. The payment of the debt service of all the Primary Bonds shall be secured forthwith equally and ratably with each other by a shared first lien with the Prior Bonds on the Gross Revenues derived from the System. The payment of the debt service of all the Supplemental Bonds shall also be secured forthwith equally and ratably with each other by a lien on the Gross Revenues derived from the System, but junior and subordinate to the lien on such Gross Revenues in favor of the Owners of the Primary Bonds and the Prior Bonds. Such Gross Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Prior Bonds and the Bonds and to make the payments into the sinking funds and the reserve accounts therein and in the Renewal and Replacement Fund hereinafter established, are hereby irrevocably pledged to the payment of the principal of and any interest on the Bonds as the same become due. AS LONG AS THE PRIOR BONDS ARE OUTSTANDING, THE PRIMARY BONDS AND THE SUPPLEMENTAL BONDS SHALL HAVE A LIEN ON THE NET REVENUES OF THE SYSTEM. WHEN THE PRIOR BONDS ARE NO LONGER OUTSTANDING, THE PRIMARY BONDS AND THE SUPPLEMENTAL BONDS SHALL HAVE A LIEN ON THE GROSS REVENUES OF THE SYSTEM.

Section 3.08. Form of Original Bonds. The text of the Original Primary Bonds and Original Supplemental Bonds 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 or any subsequent resolution or ordinance adopted or enacted prior to the issuance thereof.

[FORM OF THE ORIGINAL PRIMARY BOND]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
COUNTY OF HARDY
TOWN OF MOOREFIELD
WATER REVENUE BONDS,
SERIES 1987

No. R-_____ $_____

KNOW ALL MEN BY THESE PRESENTS: That the TOWN OF MOOREFIELD, a municipal corporation of the State of West Virginia, in Hardy County of said State (the "Town"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to West Virginia Water Development Authority (the "Authority "), or registered assigns, the sum of _____ ($_____), in installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest rate on each installment shall run from the date of this Bond until payment of such installment, and such interest shall be payable on the 1st day of April, and the 1st day of October in each year beginning _____, 198__. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of principal, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (the "Paying Agent"). The interest on this Bond is payable by check or draft mailed to the registered owner at the address as it appears on the books of _____, _____, West Virginia, as registrar (the "Registrar") on the 15th day of the month preceding an interest payment date or by such other method as shall be mutually agreeable so long as the Authority is registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and as otherwise provided by the Loan Agreement, dated _____, between the Town and the Authority.

This Bond is issued (i) to pay costs of acquisition and construction of certain improvements, additions, extensions and betterments to the existing waterworks system of the Town

(the "Project"), (ii) to capitalize interest thereon, and (iii) [to fund a reserve account therefor, and (iv)] to pay certain costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), an Ordinance duly enacted by the Town on the _____ day of _____, 1987, and a Supplemental Resolution adopted by the Town on the _____ day of _____, 1987 (collectively called the "Ordinance"), and is subject to all the terms and conditions thereof. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Ordinance.

This Bond is issued contemporaneously with the Supplemental Water Revenue Bonds, Series 1987 of the Town (the "Supplemental Bonds"), issued in the aggregate principal amount of $_____, which Supplemental Bonds are junior and subordinate with respect to liens and sources of and security for payment of the Bonds of this issue.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO THE LIENS AND SOURCES OF AND SECURITY FOR PAYMENT WITH THE WATER REVENUE BONDS, SERIES 1974, DATED AUGUST 12, 1975, OF THE TOWN (THE "PRIOR BONDS"), OUTSTANDING ON THE DATE OF ORIGINAL ISSUANCE HEREOF IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____.

This Bond is payable only from and secured by a pledge of a shared first lien on the Gross Revenues (as defined in the Ordinance) to be derived from the operation of the System, moneys in the Reserve Account created under the Ordinance and unexpended proceeds of the Bonds. Such Gross Revenues shall be sufficient to pay the operation and maintenance expenses of the System and the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Town within the meaning of any constitutional or statutory provisions or limitations, nor shall the Town be obligated to pay the same or the interest thereon except from said special fund provided from the Gross Revenues, the moneys in the Reserve Account and unexpended Bond proceeds. Pursuant to the Ordinance, the Town has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which together with any other revenues of the System shall be sufficient to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any

year of principal of and interest on all obligations on a parity or prior to the Bonds, payable from such revenues, including the Prior Bonds, provided however, that so long as there exists in the Reserve Account an amount equal to the maximum amount of principal and interest which will become due on the Bonds and any bonds on a parity therewith in any year and in the reserve account for the Prior Bonds an amount equal to the requirement therefor, such percentage may be reduced to 110%. The Town has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Ordinance. Remedies provided the registered owners of the Bonds are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

This Bond is transferable, as provided in the Ordinance, only upon the books of the Registrar, kept for that purpose at the office of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or its attorney duly authorized in writing.

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

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

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

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

IN WITNESS WHEREOF, the TOWN OF MOOREFIELD has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto affixed and attested by its Recorder, and has caused this Bond to be dated _____, 1987.

[SEAL]

_____
Mayor

ATTEST:

_____
Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Water Revenue Bonds, Series 1987 described in the within-mentioned Ordinance and has been duly registered in the name of the registered owner set forth above as of the date set forth below.

Dated: _____

_____,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

[Form of Assignment]

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

_____

_____

_____

_____

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

Dated: _____, _____.

_____

In the presence of:

_____

[FORM OF THE ORIGINAL SUPPLEMENTAL BOND]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
COUNTY OF HARDY
TOWN OF MOOREFIELD
SUPPLEMENTAL WATER
REVENUE BOND, SERIES 1987

No. SR-_____ $_____

KNOW ALL MEN BY THESE PRESENTS: That the TOWN OF MOOREFIELD, a municipal corporation of the State of West Virginia, in Hardy County of said State, (the "Town"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to West Virginia Water Development Authority (the "Authority"), or respected assigns, the sum of _____ ($_____), in installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of principal, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (the "Paying Agent"). This Bond bears no interest.

This Bond may be redeemed prior to its stated date of maturity in whole or in part at any time, but only with the express written consent of the Authority and as otherwise provided by the Supplemental Loan Agreement, dated _____, between the Town and the Authority.

This Bond is issued (i) to pay costs of acquisition and construction of certain improvements, additions, extensions and betterments to the existing waterworks system of the Town (the "Project"), and (ii) [to fund a reserve account therefor, and (iii)] to pay certain costs of issuance hereof and related costs. This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), an Ordinance duly enacted by the Town on the _____ day of _____, 1987, and a Supplemental Resolution adopted by the Town on the _____ day of _____, 1987 (collectively called the "Ordinance"), and is subject to all the terms and conditions thereof. The Ordinance provides for

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

THIS BOND IS ISSUED CONTEMPORANEOUSLY WITH THE WATER REVENUE BONDS, SERIES 1987, OF THE TOWN (THE "PRIMARY BONDS") ISSUED IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____, WHICH PRIMARY BONDS RANK PRIOR WITH RESPECT TO LIENS AND SOURCES OF AND SECURITY FOR PAYMENT TO THE BONDS OF THIS ISSUE. THIS BOND IS ALSO JUNIOR AND SUBORDINATE TO THE TOWN'S WATER REVENUE BONDS, SERIES 1974, DATED AUGUST 12, 1975, OUTSTANDING ON THE DATE OF ORIGINAL ISSUANCE HEREOF IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "PRIOR BONDS"), WHICH PRIOR BONDS ARE ON A PARITY WITH THE PRIMARY BONDS.

This Bond is payable only from and secured by a pledge of a second lien on the Gross Revenues (as defined in the Ordinance) to be derived from the operation of the System, moneys in the Supplemental Reserve Account created under the Ordinance and unexpended proceeds of the Bonds. Such Gross Revenues shall be sufficient to pay the operation and maintenance expenses of the System and the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Town within the meaning of any constitutional or statutory provisions or limitations, nor shall the Town be obligated to pay the same except from said special fund provided from the Gross Revenues, the moneys in the Supplemental Reserve Account and unexpended Bond proceeds. Pursuant to the Ordinance, the Town has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with any other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the amount required to pay the maximum amount due in any year of principal of the Bonds and of principal of and interest on all obligations on a parity or prior to the Bonds, including the Primary Bonds and the Prior Bonds, provided however, that so long as there exists in the Reserve Account an amount equal to the maximum amount of principal which will become due on the Bonds and any bonds on a parity therewith in any year, and in the reserve accounts for the Prior Bonds and the Primary Bonds amounts equal to the respective requirements therefor, such percentage may be reduced to 110%. The Town has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Ordinance. Remedies provided the registered owners of the Bonds are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

This Bond is transferable, as provided in the Ordinance, only upon the books of _____, _____, West Virginia, as registrar (the "Registrar"), kept for that purpose at the office of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or its attorney duly authorized in writing.

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project described in the Ordinance or to the appurtenant sinking fund, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the owner of this Bond; provided that such lien on moneys deposited in the Construction Trust Fund created by the Ordinance shall be subordinate to that of the Primary Bonds.

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

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

IN WITNESS WHEREOF, the TOWN OF MOOREFIELD has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto affixed and attested by its Recorder, and has caused this Bond to be dated _____, 1987.

[SEAL]

_____
Mayor

ATTEST:

_____
Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Supplemental Water Revenue Bonds, Series 1987 described in the within-mentioned Ordinance and has been duly registered in the name of the registered owner set forth above as of the date set forth below.

Dated: _____

_____,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

[Form of Assignment]

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

_____

_____

_____

_____

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

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.09. Sale of Original Bonds; Execution of WDA Loan Agreements. The Original Bonds shall be sold to the Authority pursuant to the terms and conditions of the WDA Loan Agreements. Execution and delivery to the Authority of the WDA Loan Agreements by the Mayor and the Recorder are hereby specifically authorized, confirmed and ratified. The WDA Loan Agreements are specifically incorporated into this Ordinance.

ARTICLE IV

LINE OF CREDIT

Section 4.01. Authorization of Line of Credit. As a method of providing funds for the acquisition and construction of the Project pending receipt of the Grant Receipts, the Mayor of the Town is hereby authorized, if in the best interest of the Town and necessary to complete the Project, to arrange for a Line of Credit in an amount not to exceed $100,000. The amount and terms of the Line of Credit, if any, shall be approved by a resolution supplemental hereto.

Section 4.02. 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 and upon such terms as set forth in a resolution supplemental hereto. The Credit Line Note shall be issued in 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 at such times and 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 to exceed thirty (30) months from the date thereof, and 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. 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 4.03. 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 hereto 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 4.04. 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 but reflecting only the indebtedness set forth 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 and the Supplemental Resolution. 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 4.05. Form of Credit Line Note. The text of the Credit Line Note shall be in substantially the form to be set forth in 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 4.06. Proceeds of Draw Under the 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 Bond Construction Trust Fund established with the Depository Bank and expended in accordance with Section 6.02 hereof.

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created with and shall be held by the Depository Bank:

(1) Revenue Fund (when the Prior Bonds are no longer outstanding);

(2) Renewal and Replacement Fund (when the Prior Bonds are no longer outstanding); and

(3) Bond Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby established with the Commission:

(1) Sinking Fund;

(a) Within the Sinking Fund, the Reserve Account.

(2) Supplemental Sinking Fund;

(a) Within the Supplemental Sinking Fund the Supplemental Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. As long as the Prior Bonds are Outstanding, the entire Gross Revenues shall be deposited pursuant to the terms of the Prior Ordinance. When the Prior Bonds are no longer Outstanding, the entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Ordinance and shall be kept separate and distinct from all other funds of the Town and the Depository Bank and used only for the purposes and in the manner therein provided.

(1) So long as any of the Prior Bonds is outstanding, the Town shall, each month, make the payment required by Section 3.02(B)(1) of the Prior Ordinance.

(2) So long as any of the Prior Bonds is outstanding, the Town shall, each month, on or before the due date of each principal and interest installment on the Prior Bonds, transfer from the Revenue Fund and pay said installment as provided in the Prior Ordinance; provided, however, that such payment shall be made simultaneously with the payments for the Primary Bonds set forth in Paragraphs (3) and (4) hereof and in the event that funds are not available in the Revenue Fund to pay or to make both payments, the payments shall be made pro rata.

(3) Simultaneously with the payment set forth in 5.03(2) above, from the money remaining in the Revenue Fund, the Town shall next, on the first day of each month, commencing

seven months prior to the first date of payment of interest on the Primary Bonds for which interest has not been capitalized, apportion and set apart out of the Revenue Fund and remit to the Commission, for deposit in the Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Primary Bonds on the next ensuing semiannual interest payment date or, if less than 6 months exist between the first payment and the next ensuing semiannual interest payment date, then the payments shall be pro rated.

(4) The Town shall also, on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Primary Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Original Bonds on the next ensuing principal payment date.

(5) So long as any of the Prior Bonds is outstanding, the Town shall make any payment required by Section 3.02(B)(3) of the Prior Ordinance simultaneously with the payment set forth in 5.03(6) below.

(6) The Town shall also, on the first day of each month, commencing 13 months prior to the first date of payment of principal of the Primary Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Reserve Account in the Sinking Fund, an amount equal to 1/120th of the Reserve Requirement; provided, that no further payments shall be made into the Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Reserve Requirement. If the Town deposits the Reserve Requirement in the Reserve Account when the Primary Bonds are issued and delivered, then no monthly deposits are required unless the Reserve Account is drawn upon and contains less than the Reserve Requirement.

Moneys in the Sinking Fund shall be used only for the purposes of paying principal of and interest on the Primary Bonds as the same shall become due. Moneys in the Reserve Account in the Sinking Fund shall be used only for the purpose of paying principal of or interest on the Primary Bonds, as the same shall come due, when other moneys in the Sinking Fund are insufficient therefor, and for no other purpose. All investment earnings on moneys in the Reserve Account shall be transferred, not less than once each year, to the Bond Construction Trust Fund prior to completion of the Project and thereafter, shall be returned to the Town for deposit in the Revenue Fund and applied to the next ensuing interest payment.

Any withdrawals from the Reserve Account which result in a reduction in the balance of the Reserve Account to below the Reserve Requirement shall be subsequently restored from the first Gross Revenues available after all payments required pursuant to paragraphs (1) through (4), above have been made in full. In the event that funds are not available in the Revenue Fund to comply with both paragraphs (5) and (6), the payments shall be made pro rata.

(7) The Town shall not be required to make any further payments into the Sinking Fund or into the Reserve Account therein when the aggregate amount of funds in said Sinking Fund and said Reserve Account is at least equal to the aggregate principal amount of and interest on the Primary Bonds issued pursuant to this Ordinance then Outstanding.

(8) When the Prior Bonds are no longer outstanding, from the moneys remaining in the Revenue Fund, the Town shall next, on the first day of each month, commencing the month succeeding the first full calendar month after completion of the Project, transfer to the Renewal and Replacement Fund a sum equal to 2-1/2% of the Gross Revenues each month, exclusive of payments for account of the Reserve Account in the Sinking Fund. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Town or of the Depository Bank and shall be invested and reinvested in accordance with Article VII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, or improvements or extensions to the System; provided, that any deficiency in the Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required by Subsection 5.03(A)(7)] shall be promptly eliminated with moneys from the Renewal and Replacement Fund. So long as the Prior Bonds are outstanding, the depreciation fund created by Section 3.02(B)(4) of the Prior Ordinance (the "Depreciation Fund") shall be funded in accordance with said section, provided that said deposit shall always at least equal 2-1/2% of the Gross Revenues each month, exclusive of payments for account of the Reserve Account, and provided, further, that only the amount in the Depreciation Fund exceeding the amount that should be deposited on account of the Bonds may be used to purchase or redeem Prior Bonds.

(9) The Town shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Supplemental Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Supplemental Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Supplemental Bonds on the next ensuing principal payment date.

(10) The Town shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal of the Supplemental Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Supplemental Reserve Account, an amount equal to 1/120th of the Supplemental Reserve Requirement; provided, that no further payments shall be made into the Supplemental Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Supplemental Reserve Requirement. If the Town deposits the Supplemental Reserve Requirement in the Supplemental Reserve Account when the Supplemental Bonds are issued and delivered, then no monthly deposits are required unless the Supplemental Reserve Account is drawn upon and contains less than the Supplemental Reserve Requirement.

Moneys in the Supplemental Sinking Fund shall be used only for the purposes of paying principal of the Supplemental Bonds as the same shall become due. Moneys in the Supplemental Reserve Account in the Supplemental Sinking Fund shall be used only for the purpose of paying principal of the Supplemental Bonds, as the same shall come due, when other moneys in the Supplemental Sinking Fund are insufficient therefor, and for no other purpose. All investment earnings on moneys in the Supplemental Reserve Account shall be transferred, no less than once each year, to the Bond Construction Trust Fund prior to completion of the Project, and thereafter shall be returned to the Town for deposit in the Revenue Fund and applied to the next ensuing semiannual interest payment.

Any withdrawals from the Supplemental Reserve Account which result in a reduction in the balance of the Supplemental Reserve Account to below the Supplemental Reserve Requirement shall be subsequently restored from the first Gross Revenues available after all required payments prescribed above have been made in full.

(11) Thereafter, after the payment in full of the Prior Bonds, the Town shall, each month, pay from the Revenue Fund current Operating Expenses of the System.

B. As and when additional Bonds ranking on a parity with the Original Primary Bonds or the Original Supplemental Bonds are issued, provision shall be made for additional payments into the respective Sinking Fund sufficient to pay any interest on such additional Parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in each respective Reserve Account in an amount equal to the respective Reserve Requirement.

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

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

Moneys in the respective Reserve Accounts shall be invested and reinvested by the Commission in accordance with Article VIII hereof.

The respective Sinking Funds, including the respective Reserve Accounts therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the respective Bonds and any additional Bonds ranking on a parity with either thereof that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

C. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the funds and accounts (other than the revenue fund) created on account of the Prior Bond and into the respective Sinking Funds, including the Reserve Accounts therein, and the Renewal and Replacement Fund during the following month or such longer period as shall be required by the Act, such excess shall be considered as surplus revenues (the "Surplus Revenue"). Surplus Revenues may be used for any lawful purpose of the System, including as a pledge for the payment of the Notes.

D. The Town shall remit from the Revenue Fund to the Commission or the Depository Bank, on such dates as the Commission or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay any Depository Bank's charges and any Paying Agent fees then due.

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

F. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates.

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

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

ARTICLE VI

APPLICATION OF ORIGINAL BOND PROCEEDS; FUNDS AND ACCOUNTS

Section 6.01. Application of Original Bond Proceeds. From the moneys received from the sale of any or all of the Original Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. If required by the Supplemental Resolution, the amount of the proceeds of the Original Primary Bonds specified in the Supplemental Resolution shall be deposited in the Sinking Fund at the Commission and used to pay interest during the period of construction of the Project and for not more than six (6) months after the estimated date of completion of construction of the Project.

B. If required by the Supplemental Resolution, the amount of the proceeds of the Original Bonds which shall be at least sufficient to fund the Reserve Account Requirement and the Supplemental Reserve Requirement shall be first credited to the Bond Construction Trust Fund and then deposited in the Reserve Account and the Supplemental Reserve Account, respectively, with the Commission; provided, that such amounts shall not exceed in the aggregate ten percent (10%) of the proceeds of the Original Bonds.

C. The remaining moneys derived from the sale of the Original Bonds shall be deposited by the Town in the Bond Construction Trust Fund and applied to the Costs of the Project, including but not limited to payment of the costs of issuance.

Section 6.02. Bond Construction Trust Fund. There is hereby created and established with the Depository Bank a special fund to be known as the "Town of Moorefield Water Bond

Construction Trust Fund," which fund shall be kept separate and apart from all other funds of the Town and used and applied by the Town solely for the payment of the Costs of the Projects, and for no other purposes whatsoever. Unless invested in Qualified Investments, the moneys in said fund shall be secured at all times by the deposit in the Depository Bank, as security, of direct obligations of the United States of America having a fair market value at least equal to the balance in said fund in excess of the amount insured by the FDIC. Any moneys not needed immediately for said purposes shall be invested in Qualified Investments having maturities so as to enable the moneys to be available as deemed necessary by the Consulting Engineers and otherwise in accordance with Article VIII. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to, such purposes, then such unapplied proceeds (i) shall be used to make up any deficiency in the Reserve Account or the Supplemental Reserve Account or to fund the Reserve Accounts at the respective requirements therefore; (ii) thereafter may, instead during the period of three years from May 22, 1986 be used for construction and acquisition of other capital construction or acquisition needs of the System; and (iii) if the Reserve Accounts are fully funded and no deficiencies exist, shall be deposited by the Town in escrow with an escrow trustee and used to redeem Original Bonds at the first redemption date and, prior thereto, to pay a proportionate amount of principal of the Original Bonds by depositing into the Sinking Fund and the Supplemental Sinking Fund respectively, an amount which bears the same ratio to the principal coming due in that year as the excess proceeds bore to the initial aggregate principal amount of the Original Primary Bonds and the Original Supplemental Bonds, as the case may be.

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 owners of the Original Bonds with the lien on behalf of the Original Supplemental Bond being subordinate and junior to that of the Original Primary Bond.

Expenditures or disbursements from said Bond Construction Trust Fund, except for legal, fiscal and engineering expenses and expenses in connection with the issuance and sale of the Original Bonds, shall be made only after such expenditures or disbursements shall have been approved in writing by the Council and the Consulting Engineers.

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 Owner or Owners of the Bonds. In addition to the other covenants, agreements and provisions of this Ordinance, the Town hereby covenants and agrees with the Owners of the Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of said Bonds, or the interest thereon, is Outstanding and unpaid.

Until the payment in full of the principal of and interest on the Notes, the covenants, agreements and provisions contained in this Ordinance shall, where applicable, also inure to the benefit of the Owners of the Notes and the Trustee therefor and constitute valid and legally binding covenants of the Town, enforceable in any court of competent jurisdiction by any Owner or Owners of said Notes; provided, that Section 7.04 shall not be applied to the Notes.

Section 7.02. Bonds and Notes Not To Be Indebtedness of the Town. Neither the Bonds nor the Notes shall 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 revenues of the System, or from the respective Reserve Account, or the Grant Receipts as herein provided. No Owner or Owners of any Bonds or Notes issued hereunder shall ever have the right to compel the exercise of the taxing power of the Town to pay said Bonds or Notes 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 Primary Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien shared with the Prior Bonds on the Gross Revenues derived from the operation of the System, and payment of the debt service of the Supplemental Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on said Gross Revenues, but such lien shall be junior and subordinate to the lien on said Gross Revenues in favor of the owners of the Primary Bonds and the Prior Bonds, to the extent necessary to make the payments required under Section 5.03 of this Ordinance. The Gross Revenues derived from the System, in an amount sufficient to pay the principal of and interest, if any, on the Bonds herein authorized and the Prior Bonds, and to make the payments into

the respective Sinking Funds, including the Reserve Accounts therein, and all other payments provided for in this Ordinance and the Prior Ordinance, are hereby irrevocably pledged in the manner provided in this Ordinance and the Prior Ordinance to the payment of the principal of and any interest on the Bonds herein authorized and the Prior Bonds as the same become due and for the other purposes provided in this Ordinance and the Prior Ordinance.

For the further protection of the owners of the Original Bonds, the statutory lien upon the System created by Section 8 of the Act is hereby specifically recognized by the Town.

Section 7.04. Rates. Prior to issuance of the Original Bonds, equitable rates or charges for the use of and service rendered by the System will be established by a separate ordinance all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Recorder, which copies will be open to inspection by all interested parties. The rates and charges shall be effective as prescribed by State statutes and the rules and regulations of the Public Service Commission of West Virginia (the "PSC"). The schedule of rates and charges shall at all times to be adequate to produce Gross Revenues from said System sufficient to make the prescribed payments into the funds created hereunder and under the Prior Ordinance and to pay Operating Expenses. 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 for the services of the System from time to time in effect shall be sufficient, together with any other revenues of the System, (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Prior Bonds, the Primary Bonds and the Supplemental Bonds and all other obligations secured by or payable from the System prior to or on a parity with the Bonds; provided that, in the event that an amount at least equal to or in excess of the Reserve Requirement is on deposit in the Reserve Account, an amount at least equal to the Supplemental Reserve Requirement is on deposit in the Supplemental Reserve Account and the reserve account for the Prior Bonds is funded at least at the requirement provided for in the Prior Ordinance, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Bonds and and any such prior or parity obligations, including the Prior Bonds.

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	2000 gallons per month	$2.10 per 1000 gals.
Next	3000 gallons per month	.77 per 1000 gals.
Next	195,000 gallons per month	.75 per 1000 gals.
Next	2,800,000 gallons per month	.72 per 1000 gals.
All Over	3,000,000 gallons per month	.72 per 1000 gals.

provided, that no monthly charge for any water supplied to any premises or through any meters shall be less than four dollars and twenty cents.

Users of water beyond the city limits shall pay monthly charges therefor as hereinbefore provided for resident users, plus an additional one dollar.

MINIMUM MONTHLY CHARGES FOR MULTIPLE DWELLINGS

1 Family	$ 4.20
2 Family	8.40
3 Family	12.60
4 Family	16.80
5 Family	21.00
6 Family	25.20

Multiple family units are billed on a minimum charge for each unit unless the consumption billing exceeds the minimum billings.

(Minimum Monthly Bill $4.20)

Delayed Payment Penalty

The above tariff is net. On all accounts not paid in full within fifteen (15) days of date of bill, ten percent (10%) will be added to net amount shown.

Section 7.05. Completion, Operation and Maintenance. The Town will expeditiously complete the Project and will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of said System in the manner provided in this Ordinance.

Section 7.06. Sale of the System. The System may be sold, mortgaged, leased or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient fully to pay or redeem at or prior to maturity all the Prior Bonds and the Bonds Outstanding. The proceeds from such sale, mortgage, lease or other disposition of the System shall immediately be remitted to the Commission for deposit in the appropriate Sinking Funds, and the Town shall direct the Commission to apply such proceeds to the payment of principal and any interest at maturity of Prior Bonds and Bonds about to mature and to the redemption prior to maturity, at the earliest date permitted and at the redemption price, of all other outstanding Prior Bonds and Bonds. Any balance remaining after the redemption or payment of all the Prior Bonds and Bonds and interest thereon shall be remitted to the Town by the Commission unless necessary for the payment of other obligations of the Town payable out of the revenues of the System.

The foregoing provision notwithstanding, and subject to any requirement of the Prior Ordinance so long as any of the Prior Bonds is outstanding, the Town shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor is not in excess of ten thousand dollars ($10,000), the Town shall, in writing, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Town Council may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of $10,000 but not in excess of $50,000, the Council shall first, in writing, determine with the written approval of the Consulting Engineer that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Council may then, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, in excess of $10,000 and not in excess of $50,000, shall be remitted by the Town to the Commission for deposit in the appropriate sinking funds and shall be applied only to the redemption of Prior Bonds or Bonds of the last maturities then outstanding or to the purchase of Prior Bonds or Bonds of the last maturities then outstanding at prices not greater than the redemption price of such Prior Bonds or Bonds. Such payments of such proceeds into the

Sinking Fund or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Ordinance.

No sale, lease or other disposition of the properties of the System shall be made by the Town if the proceeds to be derived therefrom shall be in excess of fifty thousand dollars ($50,000) and insufficient to pay or redeem prior to maturity all the Prior Bonds and the Bonds then outstanding without the prior approval and consent in writing of the Owners, or their duly authorized representatives, of sixty-six and two-thirds percent (66-2/3%) in amount of the Prior Bonds and the Bonds then Outstanding. The Town shall prepare the form of such approval and consent for execution by the then Owners of the Prior Bonds and the Bonds, for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

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 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 Supplemental Bonds or, if no Supplemental Bonds are outstanding, with the Primary Bonds; provided, however, that additional Parity Bonds may be issued as provided in Section 7.08 hereafter. All obligations hereafter issued by the Town payable from the revenues of the System, except such additional Parity Bonds, shall contain an express statement that such obligations are junior and subordinate as to lien on and source of and security for payment from such revenues and in all other respects, to the Prior Bonds and to the Bonds to the extent such are Outstanding; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the respective Reserve Accounts and the Renewal and Replacement Fund at the time of the issuance of such subordinate obligations have been made and are current.

Except as provided above, the 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, except with respect to said pari passu additional Bonds, being on a parity with the lien of the Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Bonds and the interest thereon in this Ordinance or upon the System or any part thereof.

Section 7.08. Parity Bonds. No Parity Bonds payable out of the revenues of the System shall be issued after the issuance of any Bonds pursuant to this Ordinance, except under the conditions and in the manner herein provided.

No Primary Parity Bonds shall be issued so long as any Supplemental Bonds are Outstanding. No Parity Bonds shall be issued except for the purpose of financing the costs of the acquisition or construction of extensions, additions, betterments or improvements to the System or refunding the entirety of one or more issues or series of Bonds or both such purposes.

No Parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the Recorder a written statement by Independent Accountants, based upon the necessary investigation and certification by the Consulting Engineer, reciting the conclusion that the net revenues actually derived, subject to the adjustments hereinafter provided, from the System during any twelve (12) consecutive months within the eighteen (18) months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual net revenues to be received in each of the three (3) succeeding years after the completion of the improvements to be financed by such additional Parity Bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on the following:

(1) The Prior Bonds and any other obligations secured by or payable from the Revenues prior to or on a parity with the Bonds;

(2) The Original Bonds then Outstanding;

(3) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Ordinance then Outstanding; and

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

The "estimated average increased annual Net Revenues to be received in each of the three (3) succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased net revenues estimated to be derived from any increase in rates enacted by the Town, the time for appeal of which shall have expired without any successful appeal or rehearing prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineer, which shall be filed in the office of the Recorder prior to the issuance of such additional Parity Bonds.

The Net Revenues actually derived from the System during the twelve (12) consecutive month period hereinabove referred to may be adjusted by adding to such net revenues such additional net revenues which would have been received, in the

opinion of the Consulting Engineer and the Independent Accountants as stated in a certificate jointly made and signed by the Consulting Engineer and the Independent Accountants, on account of increased rates, rentals, fees and charges for the System enacted by the Town, the time for appeal of which shall have expired without any successful appeal or rehearing prior to issuance of such Parity Bonds.

Not later than simultaneously with the delivery of such Parity 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 Parity Bonds.

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

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

Parity Bonds shall be not issued at any time, however, unless all the payments into the respective funds and accounts provided for in this Ordinance and the Prior Ordinance on account of the Prior Bonds and the Bonds then outstanding, and any other payments provided for in this Ordinance or the Prior Ordinance, shall have been made in full as required to the date of delivery of the Parity Bonds.

Notwithstanding the foregoing, the Town may issue Parity Bonds without compliance with any other conditions for the purpose of refunding prior to maturity all or a part of,

any issues or series of the Bonds or the Prior Bonds, provided that the annual debt service required on account of the refunding Bonds and the Bonds which are not refunded shall not be greater in any year in which the Bonds not refunded and the refunding Bonds are to be outstanding than the annual debt service required in such year if the Bonds or Prior Bonds to be refunded were not so refunded.

With the written consent in advance of the Authority and anything to the contrary in this Section 6.08 notwithstanding, both Parity Primary Bonds and Parity Supplemental Bonds may be authorized and issued by the Town pursuant to Supplemental Resolution solely to complete the Project in accordance with the plans and specifications, as described in the Town's Program application to the Authority in the event that the Original Bonds should be insufficient, together with other funds lawfully available therefor, to pay all costs of acquisition and construction of the Project; provided, however, that, prior to the issuance of such Parity Bonds under the provisions of this paragraph, the Consulting Engineers shall file with the Recorder a certificate to the effect that additional funds are necessary for such purpose. All such Parity Bonds authorized and issued under the provisions of this paragraph shall be limited to the aggregate principal amount required to make up any deficiency in funds for payment of the construction costs to complete the Project, and the maturities of any such Parity Bonds shall be in years and amounts suggested by the Authority.

As long as any Supplemental Bonds are outstanding, the Town may issue Parity Supplemental Bonds upon satisfaction of the tests set forth above and taking into consideration all debt service requirements on all bonds superior to the Supplemental Bonds, the Supplemental Bonds and including the proposed Parity Supplemental Bonds.

Section 7.09. Insurance. The Town will carry such insurance and in such amounts as is customarily carried with respect to works and properties similar to the System, with a reputable insurance carrier or carriers, against loss or damage by fire, explosion, hurricane, earthquake, cyclone, occupancy or other hazards and risks and flood and business interruption. The Town requires that each of its contractors and also subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and terms satisfactory to the Authority, so long as the Authority is the Owner of the Original Bonds. The Town will itself, or require each contractor and subcontractor to, obtain and maintain builders' risk insurance (fire and extended coverage) to protect the interest of the Town, the Authority, the prime contractor and

also all subcontractors, as their interests may appear, in accordance with the WDA Loan Agreements, during construction of the Project in the full insurable value thereof. In time of war, the Town shall also carry in said amount such insurance as may be available against loss or damage by the risks and hazards of war. Unless otherwise required by the Prior Ordinance, the proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repair and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Town will also carry liability insurance for damage or injury to persons or property in amounts adequate for such purposes and customarily carried with respect to works and properties similar to the System. The Town shall carry such other insurance as is required by the Authority, including but not limited to flood insurance and business interruption insurance, to the extent available at reasonable cost to the Town.

Section 7.10. 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 itself 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 7.11. Enforcement of Collections. The Town will diligently enforce and collect all fees, rates, 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, rates, rentals or other charges that shall become delinquent to the full extent permitted or authorized by the laws of the State and the rules and regulations of the PSC. All such rates and charges, if not paid when due, shall become a lien on the premises served by the System.

Whenever any rates, rentals or charges for the services or facilities of the System shall remain unpaid for a period of thirty (30) days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until

such time as all such rates and charges are fully paid. The Town further covenants and agrees that it will, to the full extent permitted by law, and any rules and regulations promulgated by the Public Service Commission of West Virginia applicable thereto, discontinue and shut off the services and facilities of the System to all delinquent users of the services and facilities of the System, and will not restore services of the System until all delinquent charges for the service and facilities of the System, plus reasonable interest penalty charges for the restoration of service, have been fully paid.

Section 7.12. 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 whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.13. 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 owner 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 currently accepted accounting practices in accordance with the rules and regulations of the West Virginia Public Service Commission and the Act. 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, in the books, and along with 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 shall direct.

The Town shall file with the Consulting Engineer and the Authority, and shall mail in each year to any owner or owners of Bonds requesting the same, an annual report containing the following:

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

B. A balance sheet statement showing all deposits in all the funds and accounts provided for in this Ordinance, and the status of all said funds.

The Town shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by Independent Accountants, shall mail upon request, and make available generally, the report of said Independent Accountants, or a summary thereof, to any Owner or Owners of Bonds issued pursuant to this Ordinance, and shall submit said report the Authority. The report of said audit shall include a statement that the Town is in compliance with the terms and provisions of the WDA Loan Agreements and this Ordinance.

Section 7.14. Operating Budget. The Board shall annually, at least forty-five (45) days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed budget of the estimated expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Council shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of ten percent (10%) of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Town shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to any Bondholder who requests in writing that copies of all such budgets and resolutions be furnished him or her, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Bondholder or anyone acting for and in behalf of such Bondholder.

Section 7.15. Connection. To the extent authorized by the laws of the State and the rules and regulations of the PSC, prospective users of the System shall be required to connect thereto.

Section 7.16 Convenant 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 11.01 hereof, the Town shall without consent of the Owners of any Bonds or Notes, as the case may be, amend or supplement this Ordinance by 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 or Notes. The Counsel 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 on the opinion nationally recognized by Counsel.

Section 7.17. Public Purpose Bonds. The Town shall use the Original Bond proceeds solely for the Project and as otherwise set forth herein, and the Project will be operated solely for a 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 its 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 amounts 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

INVESTMENT OF FUNDS

Section 8.01. 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 specified restrictions and provisions set forth in this Section 8.01.

Unless otherwise specifically provided herein, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, including but not limited to those in the Bond Construction Trust Fund, and used for the purpose of such fund or account. The interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. Interest earnings on the Sinking Fund, including the Reserve Account therein, and on the Supplemental Sinking Fund, including the Supplemental Reserve Account therein, shall be transferred at least annually, prior to completion of the Project, to the Bond Construction Trust Fund and, thereafter, to the Prior Revenue Fund or the Revenue Fund, as the case may be. 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. Investments in the "consolidated fund" of the West Virginia Board of Investments shall be valued at par. The Commission or the Depository Bank, as the case may be, shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or

account, regardless of the loss of such liquidation. Such 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 willful misconduct.

Section 8.02. Restrictions as to Arbitrage Bonds. 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 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.

Section 8.03 Restriction of Yield on Bond Proceeds. The Town shall comply with the yield restriction, if any, on Bond proceeds as set forth in Section 148 of the Code.

ARTICLE IX

DEFAULT AND REMEDIES

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

(A) If default occurs in the due and punctual payment of the principal of or interest on any such Bonds; or

(B) If default occurs in the Town's observance of any of the covenants, agreements or conditions on its part relating to such Bonds set forth in this Ordinance, any supplemental resolution, or in such Bonds, and such default shall have continued for a period of 30 days after the Town shall have been given written notice of such default by any bank or banking association holding any fund or account hereunder or a owner of such Bonds; or

(C) 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.

An "Event of Default" with respect to the Bonds shall not constitute an event of default with respect to the Notes and vice versa.

Section 9.02. Remedies. Upon the happening and continuance of any event of default with respect to any Primary Bonds or Supplemental Bonds, as the case may be, any Registered Owner of such Bond may exercise any available remedy and bring

any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such registered Owners including the right to require the Town to perform its duties under the Act and the Ordinance relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon such Bonds, (iv) by action at law or bill in equity require the Town to account as if it were the trustee of an express trust for the registered owners of such Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Ordinance with respect to such Bonds, or the rights of such registered Owners, provided, however, that no remedy herein stated may be exercised by a Noteholder in a manner which adversely effects any remedy available to the Bondholders, and further provided, that all rights and remedies of the Supplemental Bondholders shall be subject to those of the Primary and Prior Bondholders and that all rights and remedies exercised by the Primary Bondholders shall recognize the shared lien of the Prior Bondholders.

Section 9.03. Appointment of Receiver. Any Bondholder may, by proper legal action, compel the performance 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. If there be any default in the payment of interest on any Primary Bonds when the same shall become due, or in the payment of the principal of any Bond or Bonds, either at the specified date of maturity thereof or at a date set for redemption thereof, or otherwise in the performance of any covenant contained in this Ordinance other than as to such payment and such default shall continue for a period of thirty (30) days after written notice to the Town of such 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 Prior Bonds, the Bonds and any 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, 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 as the Town itself might do.

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 and interest thereon having a charge, lien or encumbrance upon the revenues of the System shall have been paid and made good, and all defaults under the provisions of this Ordinance shall have been cured and made good, possession of the System shall be surrendered to the Town upon the entry of an order of the court to that effect. Upon any subsequent default, any owner 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 owners 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. The provisions of this section shall be subject to the Prior Ordinance and to the superior rights of the Primary Bonds over the Supplemental Bonds.

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance. If the Town shall pay or cause to be paid, or there shall otherwise be paid, to the respective Owners of any Bonds the principal thereof, and redemption premium, if applicable, and any interest due or to

become due thereon, at the times and in the manner respectively stipulated therein and in this Ordinance, then the respective pledges of Gross Revenues, reserve accounts, unexpended Bond proceeds, and any other moneys and securities pledged under this Ordinance, and all covenants, agreements and other obligations of the Town to the Owners of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Paying Agent and the Commission shall, upon the request of the Town, execute and deliver to the Town all such instruments as may be desirable to evidence such discharge and satisfaction, and any fiduciaries shall pay over or deliver to the Town all moneys, securities and funds held by them pursuant to this Ordinance which are not required for the payment of redemption.

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 with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due, whether by maturity or redemption, the respective principal of, redemption premium, if any, 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. If there shall have been been deposited with the Commission 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 with the Commission at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of, redemption premium, if any, and interest on said Bonds on and prior to the maturity or redemption dates, as applicable, thereof, such Bonds shall also be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. Neither securities nor moneys deposited with the Commission 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 respective principal of and interest on said Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission, 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 respective principal of and interest to become due on said Bonds on and prior to such redemption date or maturity dates thereof as the case may be, and interest earned from such investments shall be paid over the Town, as received by the Commission, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations. Also for the purposes of the section, the Commission may act by an agent.

Anything in this Ordinance to the contrary notwithstanding, any moneys held by the Commission or any of its agents in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Commission at such date, or for two years after the date of deposit of such moneys if deposited with the Commission after said date when such Bonds became due and payable, shall, at the written request of the Town, be repaid by the Commission to the Town, as its absolute property and free from trust, and the Commission shall thereupon be released and discharged with respect thereto, and the Bondholders shall look only to the Town for the payment of such Bonds; provided, however, that before being required to make any such payment to the Town, the Commission shall, at the expense of the Town, mail to the registered owner of the particular Bond and cause to be published at least once in a financial journal or newspaper published daily (except Saturday, Sunday and holidays) in the English language and in circulation in New York, New York, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the publication of such notice, the balance of such moneys then unclaimed will be returned to the Town.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Modification or Amendment. No material modification or amendment of this Ordinance or of any ordinance or resolution amendatory hereof or supplemental hereto which would materially and adversely affect the rights of Bondholders shall be made without the consent in writing of the owners of two-thirds (2/3) or more in principal amount of the Primary Bonds and of the Supplemental Bonds then outstanding and to be affected by said modification; 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 and interest out of the revenues of the System without the consent of the owner thereof. No amendment or modification shall be made which would reduce the percentage of the principal amount of Bonds required for consent to the above permitted amendments or modifications.

Section 11.02. 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 11.03. Repeal of Conflicting Ordinances. All ordinances, resolutions and orders, or parts thereof, other than the Prior Ordinance, in conflict with this Ordinance are to the extent of such conflict repealed; provided, that no provision of the Prior Ordinance shall be repealed hereby so long as the Prior Bonds are Outstanding. So long as any of the Prior Bonds are outstanding, in the event of an otherwise irreconcilable conflict between the Prior Ordinance and this Ordinance, the Prior Ordinance shall govern; provided that a conflict shall be deemed reconcilable if the satisfaction of the more conservative provision at least complies with the conflicting provision.

Section 11.04. 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 applicable thereto; and that the Mayor, the Recorder and members of Council were at all times when any actions in connection with this Ordinance occurred, and are, duly in office and duly qualified for such office.

Section 11.05. Effective Date. This Ordinance shall take effect after passage, public hearing and otherwise in the manner prescribed by law.

First Reading: October 27, 1987

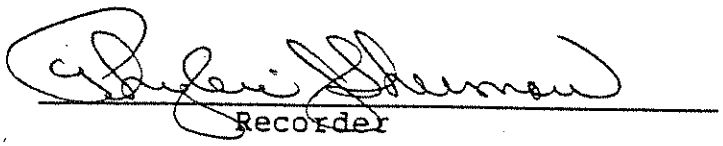
Second Reading and Passage: November 3, 1987

Public Hearing: November 16, 1987

This Ordinance was placed into effect following the public hearing.

Mayor

(SEAL)



Recorder

EXHIBIT A

WATER SYSTEM IMPROVEMENTS
TOWN OF MOOREFIELD, HARDY COUNTY, WEST VIRGINIA

Project Description

The purpose of the project is to upgrade and increase the capacity of the water treatment plant, provide additional system storage, and install a connecting water transmission main between the water plant and the new storage facility. Presently, the capacity of the water treatment plant and storage system in Moorefield is severely overburdened due to the growing industrial water demand.

Key elements of the water system improvements program are described as follows:

1. Modify raw water intake pipes, add screens and backwash facilities.

2. Replace raw water pumps.

3. Replace chemical feeders.

4. Retrofit sedimentation basins by addition of settling tubes and mechanical sludge removal equipment.

5. Replace filter media and install surface wash on each filter.

6. Provide additional clearwell capacity.

7. Replace high head pumps.

8. Repair or replace filter control valves.

9. Repair deteriorated concrete.

10. Construct a 1.5 million gallon steel storage tank.

11. Install approximately 12,000 linear feet of 10 and 12 inch water transmission main with appurtenances between the water plant and the new storage tank.

EXHIBIT B

Loan Agreement

EXHIBIT C

Supplemental Loan Agreement

CERTIFICATE

I, the undersigned, Recorder of the Town of Moorefield, Hardy 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 Moorefield at its regular meeting on November 3, 1987.

Dated this 3rd day of November, 1987.

TOWN OF MOOREFIELD

Recorder

(Seal)

TOWN OF MOOREFIELD

WATER REVENUE BONDS,
SERIES 1992 A AND SERIES 1992 B

BOND AND NOTES ORDINANCE

Table of Contents

Subject		*Page*
	ARTICLE I *STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS*	
Section 1.01	*Authority for this Ordinance*	*1*
Section 1.02	*Findings*	*1*
Section 1.03	*Bond Legislation Constitutes Contract*	*5*
Section 1.04	*Definitions*	*5*
	ARTICLE II *AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT*	
Section 2.01	*Authorization of Acquisition and Construction of the Project*	*16*
	ARTICLE III *AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENT*	
Section 3.01	*Authorization of Bonds*	*17*
Section 3.02	*Terms of Bonds*	*17*
Section 3.03	*Execution of Bonds*	*18*
Section 3.04	*Authentication and Registration*	*18*
Section 3.05	*Negotiability, Transfer and Registration*	*18*
Section 3.06	*Bonds Mutilated, Destroyed, Stolen or Lost*	*19*
Section 3.07	*Bonds not to be Indebtedness of the Issuer*	*20*
Section 3.08	*Bonds Secured by Pledge of Gross Revenues; Lien Positions with Respect to Prior Bonds*	*20*

Section 3.09	Form of Original Bonds	20
	FORM OF SERIES 1992 A BOND	21
	FORM OF SERIES 1992 B BOND	28
Section 3.10	Sale of Original Bonds; Approval and Ratification of Execution of Loan Agreement with Authority	35
Section 3.11	"Amended Schedule A" Filing; Tender of Series 1992 B Bonds	35

ARTICLE IV
INTERIM CONSTRUCTION FINANCING

Section 4.01	Authorization and General Terms	36
Section 4.02	Terms of and Security for Notes; Trust Indenture	36
Section 4.03	Notes are Special Obligations	36
Section 4.04	Letters of Credit	36

ARTICLE V
SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01	Establishment of Funds and Accounts with Depository Bank	38
Section 5.02	Establishment of Funds and Accounts with Commission	38
Section 5.03	System Revenues; Flow of Funds	38

ARTICLE VI
BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01	Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds	45
Section 6.02	Disbursements From the Bond Construction Trust Fund	46

ARTICLE VII
ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01	General Covenants of the Issuer	48
Section 7.02	Bonds and Notes not to be Indebtedness of the Issuer	48
Section 7.03	Bonds Secured by Pledge of Gross Revenues; Lien Positions with Respect to Prior Bonds	48
Section 7.04	Initial Schedule of Rates and Charges	49
Section 7.05	Sale of the System	49
Section 7.06	Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances	50
Section 7.07	Parity Bonds	51

Section 7.08	*Books and Records*	*53*
Section 7.09	*Rates*	*55*
Section 7.10	*Operating Budget and Audit*	*55*
Section 7.11	*No Competing Franchise*	*56*
Section 7.12	*Enforcement of Collections*	*56*
Section 7.13	*No Free Services*	*57*
Section 7.14	*Insurance and Construction Bonds*	*57*
Section 7.15	*Connections*	*58*
Section 7.16	*Completion of Project*	*59*
Section 7.17	*Tax Covenants*	*59*
Section 7.18	*Statutory Mortgage Lien*	*60*

ARTICLE VIII
INVESTMENT OF FUNDS; NON ARBITRAGE

Section 8.01	*Investments*	*61*
Section 8.02	*Arbitrage*	*62*
Section 8.03	*Small Issuer Exemption from Rebate of Excess Investment Earnings to the United States*	*62*

ARTICLE IX
DEFAULT AND REMEDIES

Section 9.01	*Events of Default*	*64*
Section 9.02	*Remedies*	*65*
Section 9.03	*Appointment of Receiver*	*65*

ARTICLE X
DEFEASANCE

Section 10.01	*Defeasance of Series 1992 A Bonds*	*67*
Section 10.02	*Defeasance of Series 1992 B Bonds*	*68*
Section 10.03	*Defeasance of Notes*	*69*

ARTICLE XI
MISCELLANEOUS

Section 11.01	*Amendment or Modification of Bond Legislation*	*70*
Section 11.02	*Bond Legislation Constitutes Contract*	*70*
Section 11.03	*Severability of Invalid Provisions*	*70*
Section 11.04	*Headings, Etc.*	*70*
Section 11.05	*Conflicting Provisions Repealed*	*70*
Section 11.06	*Covenant of Due Procedure, Etc.*	*71*
Section 11.07	*Effective Date*	*71*
Section 11.08	*Statutory Notice and Public Hearing*	*71*

SIGNATURES 72
CERTIFICATION 73
EXHIBIT A 74

TOWN OF MOOREFIELD

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS FOR THE EXISTING WATERWORKS SYSTEM OF THE TOWN OF MOOREFIELD AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE TOWN OF NOT MORE THAN $2,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1992 A, NOT MORE THAN $1,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1992 B, AND NOT MORE THAN $500,000 INTERIM CONSTRUCTION FINANCING, CONSISTING OF BOND ANTICIPATION NOTES, GRANT ANTICIPATION NOTES OR A LINE OF CREDIT EVIDENCED BY NOTES, OR ANY COMBINATION OF THE FOREGOING; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS AND NOTES; AUTHORIZING EXECUTION AND DELIVERY OF A TRUST INDENTURE SECURING THE NOTES; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT AND SUPPLEMENTAL LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND NOTES AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

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

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

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

B. The Issuer now owns and operates a public water treatment and distribution system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be constructed certain additions, betterments and improvements for such existing waterworks facilities of the Issuer, consisting of a new water treatment plant, a new water storage tank and approximately 14,000 feet of 12-inch water mains, together with all appurtenant facilities (collectively, the "Project") (the existing waterworks facilities, the Project and any further additions, improvements and betterments thereto or extensions thereof is herein called the "System") at an estimated cost of $3,500,000, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of said System, the principal of and interest on the Prior Bonds and the Bonds and all Sinking Funds, Reserve Accounts and other payments provided for herein and in the Prior Ordinance, all as such terms are hereinafter defined.

D. It is deemed necessary for the Issuer to issue its Water Revenue Bonds in the total aggregate principal amount of not more than $3,000,000 in two series, being the Series 1992 A Bonds in the aggregate principal amount of not more than $2,000,000, and the Series 1992 B Bonds in the aggregate principal amount of not more than $1,000,000 (collectively, the "Original Bonds"), to finance costs of acquisition and construction of the Project and (at the option of the Issuer) to issue its waterworks system bond anticipation notes prior to issuance of the Original Bonds and to issue, contemporaneously therewith or as soon as practicable thereafter, its waterworks system grant anticipation notes and/or a note or notes evidencing a line of credit, or any combination of the foregoing (collectively, the "Notes"), in the aggregate principal amount of not more than $500,000 to temporarily finance costs of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Notes during the term thereof and upon the Original Bonds prior to and during acquisition or construction and for a period not exceeding 6 months after completion of acquisition or construction of the Project; amounts which may be deposited in the Reserve Accounts; engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the Project, administrative expense, commitment fees, fees and expenses of the

Authority (as hereinafter defined), discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Original Bonds and the Notes and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof, including, with respect to the Notes, any fees for the providing of a letter of credit, as hereinafter defined, and any costs of obtaining insurance thereon; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Original Bonds or the Notes or the repayment of indebtedness incurred by the Issuer for such purposes, shall be deemed Costs of the Project, as hereinafter defined.

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

F. It is in the best interests of the Issuer that its Original Bonds be sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a loan agreement and a supplemental loan agreement (collectively, the "Loan Agreement") to be entered into between the Issuer and the Authority, in form satisfactory to the Issuer and the Authority, as shall be approved by a resolution supplemental hereto.

G. There are outstanding obligations of the Issuer which will rank either senior and prior to, on parity with, or junior and subordinate to the Original Bonds as to liens, pledge, source of and security for payment, which obligations are designated and have the respective lien positions, together with the Original Bonds as follows:

Designation	Lien Position
Water Revenue Bonds, Series 1987, dated November 20, 1987, issued in the original aggregate principal amount of $443,275 (the "Series 1987 Bonds")	First Lien
Water Revenue Bonds, Series 1992 A (the "Series 1992 A Bonds")	First Lien
Supplemental Water Revenue Bonds, Series 1987, dated November 20, 1987, issued in the original aggregate principal amount of $108,725 (the "Series 1987 Supplemental Bonds")	Second Lien
Water Revenue Bonds, Series 1992 B (the "Series 1992 B Bonds")	Second Lien

The Series 1987 Bonds and Series 1992 A Bonds are hereinafter collectively called the "First Lien Bonds" and the Series 1987 Supplemental Bonds and Series 1992 B Bonds are hereinafter collectively called the "Second Lien Bonds." The Series 1987 Bonds and the Series 1987 Supplemental Bonds are hereinafter collectively called the "Prior Bonds."

The Series 1992 A Bonds shall be issued on a parity with the Series 1987 Bonds, and senior and prior to the Series 1992 B Bonds and the Series 1987 Supplemental Bonds with respect to liens, pledge and source of and security for payment and in all other respects. The Series 1992 B Bonds shall be issued on a parity with the Series 1987 Supplemental Bonds, and junior and subordinate to the Series 1987 Bonds and the Series 1992 A Bonds with respect to liens, pledge and source of and security for payment and in all other respects. The Grant Anticipation Notes, if issued, will not be payable from Gross Revenues, but shall be payable from Grant Receipts, Surplus Revenues and proceeds of a letter of credit, if any, all as shall be set forth in the Indenture or the Supplemental Resolution authorizing the Notes. The Bond Anticipation Notes, if issued, will be payable from the proceeds of the Bonds and Gross Revenues, if necessary, all as shall be set forth in the Indenture or the Supplemental Resolution authorizing the Notes.

H. The Issuer has complied with all requirements of West Virginia law relating to authorization of the acquisition, construction and operation of the Project and the System and issuance

of the Original Bonds and the Notes, or will have so complied prior to issuance thereof, including, among other things, the obtaining of a Certificate of Convenience and Necessity from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the date of issuance of the Original Bonds or any of the Notes or such final order will not be subject to appeal.

I. The Issuer has received (or will receive prior to issuance of the Original Bonds) the written consent of the Authority to issuance of the Original Bonds with lien positions with respect to the Prior Bonds as set forth in paragraph G of this Section 1.02.

J. The Issuer is a governmental unit which has general taxing powers to finance operations of or facilities of the nature of the Project and the System; 95% or more of the net proceeds of the issues of the Original Bonds and the Notes are to be used for local governmental activities of the Issuer (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the Issuer); and the Issuer, all subordinate entities, all entities which issue obligations on behalf of the Issuer, and all entities formed or, to the extent provided under Section 148 of the Code, herein defined, availed of, to avoid the purposes of Section 148(f)(4)(D) of the Code and all other entities benefiting thereby reasonably expect to issue less than $5,000,000 aggregate principal amount of tax-exempt obligations (other than private activity bonds) during the calendar year in which the Notes and/or the Bonds are to be issued.

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

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

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

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Original Bonds, or any other agency of the State of West Virginia that succeeds to the functions of the Authority.

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

"Bond Construction Trust Fund" means the Bond Construction Trust Fund established by Section 5.01 hereof.

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

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

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

"Bond Year" means each one-year period (or shorter period from the date of issuance of the Original Bonds) that ends at the close of business on October 1, unless otherwise required under the Code.

"Bonds" means the Original Bonds, and, where appropriate, the Prior Bonds and any bonds on a parity with the Original Bonds.

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

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

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

"Consulting Engineers" means William Pallavicini, P.E., Petersburg, West Virginia, or any engineer or firm of engineers that

shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

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

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

"EDA" means the United States Department of Commerce, Economic Development Authority and any successor to the functions of the EDA.

"EDA Grant" means the grant from the EDA pursuant to the commitment therefor.

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

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

"Governing Body" means the council of the Issuer, as it may now or hereafter be constituted.

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

"Grant Agreement" means a written commitment for the payment of the EDA Grant or any of the Other Grants, specifying the amount of such Grant, the terms and conditions upon which such Grant is made and the date or dates or event or events upon which such Grant is to be paid to the Issuer; provided that, "EDA Grant Agreement" means only the Grant Agreement relating to the EDA Grant and "Other Grant Agreements" means only those Grant Agreements relating to the Other Grants.

"Grant Receipts" means all moneys received by the Issuer on account of any Grant after the date of issuance of any Grant Anticipation Notes; provided that, "EDA Grant Receipts" means only Grant Receipts on account of the EDA Grant, and "Other Grant Receipts" means only Grant Receipts on account of any or all of the Other Grants.

"Grants" means, collectively, the EDA Grant and the Other Grants, as hereinafter defined.

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

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

"Indenture" or "Trust Indenture" means the Trust Indenture which may, at the Issuer's option, be entered into between the Issuer and the Trustee relating to any or all of the Notes and all supplements or amendments thereto.

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

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract, investment-type property or any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes other than specified private activity bonds as defined in Section 57(a)(5)(C) of the Code.

"Issuer" or "Town" means the Town of Moorefield, in Hardy County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Loan Agreement" means, collectively, the Loan Agreement and the Supplemental Loan Agreement, to be entered into between the Authority and the Issuer providing for the purchase of the Original Bonds from the Issuer by the Authority, the forms of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified by the Supplemental Resolution.

"Mayor" means the Mayor of the Issuer.

"Net Proceeds" means the face amount of the Original Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the respective Reserve Accounts. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Original Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property which is acquired with the gross proceeds or any other proceeds of the Original Bonds and is not acquired in order to carry out the governmental purpose of the Original Bonds.

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

"Notes" means collectively, the not more than $500,000 in aggregate principal amount of waterworks system bond anticipation notes, grant anticipation notes and/or notes evidencing a line of credit, or any combination of the foregoing, and originally authorized hereby, which may be issued by the Issuer, the terms of which shall be set forth in a Supplemental Resolution, and unless the context clearly indicates otherwise, the term "Notes" includes any refunding Notes of the Issuer.

"Notes Construction Trust Fund" means the Notes Construction Trust Fund which may be established by the Indenture.

"Notes Debt Service Fund" means the Notes Debt Service Fund which may be established by the Indenture.

"Notes Registrar" means the bank to be designated as such in the Indenture or the Supplemental Resolution and its successors and assigns.

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

of the Authority, fiscal agents, the Depository Bank, Registrar and Paying Agent and the Trustee (all as herein defined), other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds or the Notes, 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.

"Original Bonds" or "Bonds originally authorized hereby" or similar phrases mean, collectively, the not more than $2,000,000 in aggregate principal amount of Series 1992 A Bonds and the not more than $1,000,000 in aggregate principal amount of Series 1992 B Bonds, issued for the purpose of paying a portion of the Costs of the Project and for such other purposes permitted and authorized by this Bond Legislation.

"Original Notes Purchaser" means, in the event Notes are issued, the original purchaser of such Notes, as shall be named in the Supplemental Resolution, and, in the event a note or notes evidencing a line of credit are issued, such bank or banks as shall be named in a resolution supplemental hereto.

"Other Grants" means, collectively, the Small Cities Block Grant from the Department of Housing and Urban Development, through the State of West Virginia, pursuant to the commitment therefor, together with any other grant other than the EDA Grant hereafter received by the Issuer to aid in financing any Costs.

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

Bondholders or Noteholders or holders of Prior Bonds, any Bonds or Notes or Prior Bonds registered to the Issuer.

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

"Paying Agent" means the bank or banks or other entity designated as such for the Bonds and/or the Notes in the Indenture or in the Supplemental Resolution or such entity or authority as may be designated by the Issuer.

"Prior Bonds" means, collectively, the Series 1987 Bonds and the Series 1987 Supplemental Bonds.

"Prior Ordinance" means the ordinance enacted by the Issuer on November 16, 1987, pursuant to which the Prior Bonds were issued.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, or in any activity carried on by a person other than a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, excluding, however, use by a state or local governmental unit and use as a member of the general public. All of the foregoing shall be determined in accordance with the Code, including, without limitation, giving due regard to "incidental use," if any, of the proceeds of the issue and/or proceeds used for "qualified improvements," if any.

"Program" means the Authority's loan program, under which the Authority purchases the water development revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of water development revenue bonds of the Authority.

"Project" means the acquisition and construction of certain additions, betterments and improvements for the Issuer's existing public waterworks system, consisting generally of a water treatment plant, a water storage tank and approximately 14,000 feet of 12-inch water mains, together with all appurtenant facilities.

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

(a) Government Obligations;

(b) Government Obligations which have been stripped of their unmatured interest coupons,

interest coupons stripped from Government Obligations, and receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;

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

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

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

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

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

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

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

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

"Recorder" means the Recorder of the Issuer.

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

"Registrar" means as appropriate, the Bond Registrar, or the Notes Registrar, or both.

"Regulations" means all applicable regulations promulgated under the Code, or any predecessor thereto.

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

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

"Series 1987 Bonds" means the Issuer's Water Revenue Bonds, Series 1987, dated November 20, 1987, issued in the original aggregate principal amount of $443,275.

"Series 1987 Supplemental Bonds" means the Issuer's Supplemental Water Revenue Bonds, Series 1987, dated November 20, 1987, issued in the original aggregate principal amount of $108,725.

"Series 1992 A Bonds" or "Series A Bonds" means the not more than $2,000,000 in aggregate principal amount of Water Revenue Bonds, Series 1992 A, of the Issuer.

"Series 1992 A Bonds Reserve Account" means the Series 1992 A Bonds Reserve Account established in the Series 1992 A Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1992 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 1992 A Bonds in the then current or any succeeding year.

"Series 1992 A Bonds Sinking Fund" means the Series 1992 A Sinking Fund established by Section 5.02 hereof.

"Series 1992 B Bonds" or "Series B Bonds" means the not more than $1,000,000 in aggregate principal amount of Water Revenue Bonds, Series 1992 B, of the Issuer.

"Series 1992 B Bonds Reserve Account" means the Series 1992 B Bonds Reserve Account established in the Series 1992 B Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1992 B Bonds Reserve Requirement" means, as of the date of calculation, the maximum amount of principal which will become due on the Series 1992 B Bonds in the then current or any succeeding year.

"Series 1992 B Bonds Sinking Fund" means the Series 1992 B Bonds Sinking Fund established by Section 5.02 hereof.

"State" means the State of West Virginia.

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

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Bonds, the Prior Bonds or any other obligations of the Issuer, including, without limitation, the Renewal and Replacement Fund and the Reserve Accounts, the proceeds of which Bonds or other obligations are to be used to pay Costs of the Project.

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

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

"Trustee" means the banking institution designated as trustee for the Noteholders under the Indenture, if any, its successors and assigns.

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

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized the acquisition and construction of the Project, at an estimated cost of $3,500,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Notes and the Bonds hereby authorized shall be applied as provided in the Indenture, if any, and in Article VI hereof, respectively.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 1992 A Bonds, funding a reserve account for each series of Original Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued negotiable Original Bonds of the Issuer, in an aggregate principal amount of not more than $3,000,000. Said Bonds shall be issued in two series, to be designated, respectively, "Water Revenue Bonds, Series 1992 A," in the aggregate principal amount of not more than $2,000,000, and "Water Revenue Bonds, Series 1992 B," in the aggregate principal amount of not more than $1,000,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. Such Bonds shall be issued contemporaneously with or prior to issuance of the Grant Anticipation Notes, if any. The proceeds of the Bonds remaining after funding of the Reserve Accounts (if funded from Bond proceeds) and capitalization of interest, if any, shall be deposited in the Bond Construction Trust Fund established by Section 5.01 hereof.

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

Unless otherwise provided by the Supplemental Resolution, the Original Bonds shall be issued in the form of a single bond for each series, fully registered to the Authority, with a debt service schedule attached, representing the aggregate principal amount of each series, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Bonds of each series shall be exchangeable at the option and expense of the Holder for other fully registered Bonds of the same series in aggregate principal amount

equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

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

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

Section 3.04. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the forms set forth in Section 3.09 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

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

of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Bonds remain outstanding, the Issuer, through the Bond Registrar, shall keep and maintain books for the registration and transfer of the Bonds.

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

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

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified

as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

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

Section 3.08. Bonds Secured by Pledge of Gross Revenues; Lien Positions with Respect to Prior Bonds. The payment of the debt service of all the Series 1992 A Bonds shall be secured forthwith equally and ratably with each other, by a lien on the Gross Revenues derived from the System, senior and prior to the lien on the Gross Revenues in favor of the Holders of the Series 1987 Supplemental Bonds and the Series 1992 B Bonds, and on a parity with the lien on the Gross Revenues in favor of the Holder of the Series 1987 Bonds. The payment of the debt service of all the Series 1992 B Bonds shall be secured forthwith equally and ratably with each other by a lien on the Gross Revenues derived from the System, on a parity with the lien on the Gross Revenues in favor of the Holder of the Series 1987 Supplemental Bonds but junior and subordinate to the lien on the Gross Revenues in favor of the Holders of the Series 1987 Bonds and the Series 1992 A Bonds. Such Gross Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Prior Bonds and the Bonds and to make the payments into the Sinking Funds, the Reserve Accounts therein, and the Renewal and Replacement Fund either existing or hereinafter established, and all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due.

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

[FORM OF SERIES 1992 A BOND]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF MOOREFIELD
WATER REVENUE BOND, SERIES 1992 A

No. AR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That the TOWN OF MOOREFIELD, a municipal corporation and political subdivision of the State of West Virginia in Hardy County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ DOLLARS ($_____), in installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest rate on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning _____ 1, 19____. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement between the Issuer and the Authority, dated _____, 1992.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements for the existing waterworks facilities of the Issuer (the "Project"); (ii) [to pay interest on the Bonds of this Series (the "Bonds") during the construction of the Project and for not more than 6 months thereafter; (iii) to fund a reserve account for the Bonds; and (iv)] to pay certain costs of issuance hereof and related costs. The existing waterworks system of the Issuer, the Project, and any further additions, betterments and improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and an Ordinance duly enacted by the Issuer on _____, 1992, and a Supplemental Resolution duly adopted by the Issuer on _____, 1992 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds of this Series (the "Bonds") under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S WATER REVENUE BONDS, SERIES 1987, DATED NOVEMBER 20, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $443,275 AND DESCRIBED IN THE BOND LEGISLATION (THE "SERIES 1987 BONDS").

THIS BOND IS ISSUED SENIOR AND PRIOR WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, TO THE FOLLOWING WATER REVENUE BONDS OF THE ISSUER:

(i) SUPPLEMENTAL WATER REVENUE BONDS, SERIES 1987, DATED NOVEMBER 20, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $108,725 (THE "SERIES 1987 SUPPLEMENTAL BONDS"); AND

(ii) WATER REVENUE BONDS, SERIES 1992 B, ISSUED CONCURRENTLY HEREWITH IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "SERIES 1992 B BONDS"), ALL AS DESCRIBED IN THE BOND LEGISLATION.

THE SERIES 1987 BONDS AND THE SERIES 1987 SUPPLEMENTAL BONDS ARE HEREINAFTER COLLECTIVELY CALLED THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Gross Revenues in favor of the Holders of the Series 1987 Bonds, and from moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 1992 A Bonds Reserve Account"), and unexpended proceeds of the Bonds and the Series 1992 B Bonds. Such Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Gross Revenues, the moneys in the Series 1992 A Bonds Reserve Account and unexpended proceeds of the Bonds and the Series 1992 B Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds, the Series 1992 B Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds or the Series 1992 B Bonds, including the Prior Bonds, provided however, that so long as there exists in the Series 1992 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for the Series 1992 B Bonds and any other obligations outstanding prior to or on a parity with the Bonds or the Series 1992 B Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

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

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

IN WITNESS WHEREOF, the TOWN OF MOOREFIELD has caused this Bond to be signed by its Mayor and its corporate seal to be affixed hereon and attested by its Recorder, and has caused this Bond to be dated _____, 1992.

[SEAL]

_____
Mayor

ATTEST:

_____
Recorder

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1992 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

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

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

Dated: _____, _____.

_____

In the presence of:

_____

[FORM OF SERIES 1992 B BOND]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF MOOREFIELD
WATER REVENUE BOND, SERIES 1992 B

No. BR-____ $_____

KNOW ALL MEN BY THESE PRESENTS: That the TOWN OF MOOREFIELD, a municipal corporation and political subdivision of the State of West Virginia in Hardy County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ DOLLARS ($_____), in annual installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference, without interest.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Supplemental Loan Agreement between the Issuer and the Authority, dated _____, 1992.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements for the existing waterworks facilities of the Issuer (the "Project"); (ii) [to fund a reserve account for the Bonds of this Series (the "Bonds"); and (iii)] to pay certain costs of issuance hereof and related costs. The existing waterworks system of the Issuer, the Project and any further additions, betterments and improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 19 of the West Virginia Code of 1931,

as amended (the "Act"), and an Ordinance duly enacted by the Issuer on _____, 1992, and a Supplemental Resolution duly adopted by the Issuer on _____, 1992 (collectively called the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds of this Series (the "Bonds") under the Bond Legislation.

THIS BOND IS ISSUED JUNIOR AND SUBORDINATE WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, TO THE FOLLOWING WATER REVENUE BONDS OF THE ISSUER:

(i) WATER REVENUE BONDS, SERIES 1992 A, ISSUED CONCURRENTLY HEREWITH IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____ (THE "SERIES 1992 A BONDS"); AND

(ii) WATER REVENUE BONDS, SERIES 1987, DATED NOVEMBER 20, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $443,275 (THE "SERIES 1987 BONDS"), ALL AS DESCRIBED IN THE BOND LEGISLATION.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S SUPPLEMENTAL WATER REVENUE BONDS, SERIES 1987, DATED NOVEMBER 20, 1987, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF $108,725 AND DESCRIBED IN THE BOND LEGISLATION (THE "SERIES 1987 SUPPLEMENTAL BONDS").

THE SERIES 1987 BONDS AND THE SERIES 1987 SUPPLEMENTAL BONDS ARE HEREINAFTER COLLECTIVELY CALLED THE "PRIOR BONDS."

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the operation of the System after there has first been paid from said Gross Revenues all payments then due and owing on account of the Series 1987 Bonds and the Series 1992 A Bonds, all moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1992 B Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay

the same, except from said special fund provided from the Gross Revenues, the moneys in the Series 1992 B Bonds Reserve Account and unexpended Bond proceeds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds, the Series 1992 A Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity therewith, including the Prior Bonds, provided however, that so long as there exists in the Series 1992 B Bonds Reserve Account and the reserve account established for the Series 1992 A Bonds, respectively, amounts at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds and the Series 1992 A Bonds in the then current or any succeeding year, and any reserve account for any such prior or parity obligations, including the Prior Bonds, is funded at least at the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

which lien is subordinate to the lien in favor of the registered owners of the Series 1992 A Bonds.

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

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

IN WITNESS WHEREOF, the TOWN OF MOOREFIELD has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto affixed hereon and attested by its Recorder, and has caused this Bond to be dated _____, 1992.

[SEAL]

_____
Mayor

ATTEST:

_____
Recorder

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1992 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above as of the date set forth below.

Date: _____

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

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

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

Dated: _____, _____.

_____

In the presence of:

_____

Section 3.10. Sale of Original Bonds; Approval and Ratification of Execution of Loan Agreement with Authority. The Original Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous ordinance or resolution, the Mayor is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "Exhibit A" and made a part hereof, and the Recorder is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed.

Section 3.11. "Amended Schedule A" Filing; Tender of Series 1992 B Bonds. Upon completion of acquisition and construction of the Project, the Issuer will file with the Authority a schedule in substantially the form of the "Amended Schedule A" to the Loan Agreement, setting forth the actual costs of the Project and sources of funds therefor. In the event such schedule reflects an excess of funding for the Project, or if the Authority is otherwise advised of an excess, the Authority may tender the Series 1992 B Bonds to the Issuer for payment in an amount equal to such excess to the extent such excess is lawfully available therefor. Notwithstanding the foregoing, if the Issuer has Notes outstanding upon completion of acquisition and construction of the Project, it will advise the Authority of such fact and submit a second schedule to the Authority upon payment of such Notes, and the Authority will not tender its Series 1992 B Bonds for payment until the outstanding Notes have been paid.

ARTICLE IV

INTERIM CONSTRUCTION FINANCING

Section 4.01. Authorization and General Terms. In order to pay certain Costs of the Project pending receipt of the Grant Receipts or issuance of the Bonds, the Issuer may issue and sell its Notes in an aggregate principal amount not to exceed $500,000. The Notes may be in the form of bond anticipation notes, grant anticipation notes and/or as evidence of a line of credit from a commercial bank or other lender, or any combination of the foregoing, at the discretion of the Issuer, and as shall be set forth in one or more resolutions supplemental hereto. The Notes shall bear interest from the date or dates, at such rate or rates, payable on such dates and shall mature on such date or dates and be subject to such prepayment or redemption, all as provided in the Indenture and/or supplemental resolution, as applicable.

Section 4.02. Terms of and Security for Notes; Trust Indenture. The Notes, if issued, shall be issued in fully registered form, in the denominations, with such terms and secured in the manner set forth in the Indenture, if applicable (which Indenture in the form to be executed and delivered by the Issuer shall be approved by a supplemental resolution), or one or more supplemental resolutions, if no Indenture is used.

Section 4.03. Notes are Special Obligations. The Notes shall be special obligations of the Issuer payable as to principal and interest solely from proceeds of the Bonds or Gross Revenues (if issued in the form of Bond Anticipation Notes) or the Grant Receipts, the Surplus Revenues and the letter of credit proceeds (if issued in the form of Grant Anticipation Notes) and from other sources described in the Indenture and/or supplemental resolution or resolutions. The Notes do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions. The general funds of the Issuer are not liable, and neither the full faith and credit nor the taxing power, if any, of the Issuer is pledged for the payment of the Notes. The Holders of the Notes shall never have the right to compel the forfeiture of any property of the Issuer. The Notes shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except as set forth in the Indenture and/or the Supplemental Resolution.

Section 4.04. Letters of Credit. As additional security for any Notes, the Issuer may obtain a letter or letters of credit from a bank or banks, pursuant to which such bank or banks would agree

to pay to the Trustee, upon presentation by the Trustee of certain certificates, the sum or sums set forth therein but not to exceed $500,000 in the aggregate. In the event of a draw under any such letter of credit, the Issuer shall issue its refunding notes to the bank issuing such letter of credit. Any such letter or letters of credit shall be authorized and shall have such terms as shall be set forth in a resolution supplemental hereto.

ARTICLE V

SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created (or continued if previously established by the Prior Ordinance) with and shall be held by, the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and from each other:

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

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

(3) Bond Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby established (or continued if previously established by the Prior Ordinance) with the Commission:

(1) The Sinking Funds established for the Prior Bonds, including the respective reserve account established therein (established by the Prior Ordinance and therein called the "Sinking Fund" and the "Supplemental Sinking Fund," respectively, and herein collectively called the "Prior Bonds Sinking Funds");

(2) Series 1992 A Bonds Sinking Fund;

(a) Within the Series 1992 A Bonds Sinking Fund, the Series 1992 A Bonds Reserve Account.

(3) Series 1992 B Bonds Sinking Fund;

(a) Within the Series 1992 B Bonds Sinking Fund, the Series 1992 B Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided.

(1) The Issuer shall first (i) on the first day of each month, transfer from the Revenue Fund and pay to the Commission the amounts required by the Prior Ordinance to be deposited in the Series 1987 Bonds Sinking Fund for payment of the principal of and interest on the Series 1987 Bonds, and simultaneously therewith commencing 7 months prior to the first date of payment of interest on the Series 1992 A Bonds for which interest has not been capitalized, apportion and set apart out of the Revenue Fund and remit to the Commission, for deposit in the Series 1992 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 1992 A Bonds on the next ensuing semiannual interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1992 A Bonds Sinking Fund and the next semiannual interest payment date is less than 7 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next semiannual interest payment date, the required amount of interest coming due on such date, and (ii) on the first day of each month, commencing 13 months prior to the first date of payment of principal on the Series 1992 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1992 A Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1992 A Bonds on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1992 A Bonds Sinking Fund and the next annual principal payment date is less than 13 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and pay to the Commission the amounts required by the Prior Ordinance to be deposited in the reserve account established therein for the Series 1987 Bonds and simultaneously therewith commencing 13 months prior to the first date of payment of principal of the Series 1992 A Bonds, if not fully funded upon issuance of the Series 1992 A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1992 A Bonds Reserve Account, an amount equal to 1/120 of the Series 1992 A Bonds Reserve Requirement; provided, that no further payments shall be made into the

Series 1992 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1992 A Bonds Reserve Requirement.

(3) The Issuer shall next, from the moneys remaining in the Revenue Fund, on the first day of each month (as previously set forth in the Prior Ordinance and not in addition thereto), transfer to the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in the reserve accounts established with respect to the Prior Bonds, the Series 1992 A Bonds Reserve Account or the Series 1992 B Bonds Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and pay to the Commission the amounts required by the Prior Ordinance to be deposited in the Series 1987 Supplemental Bonds Sinking Fund for payment of principal of the Series 1987 Supplemental Bonds, and simultaneously therewith commencing 13 months prior to the first date of payment of principal on the Series 1992 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1992 B Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on said Series 1992 B Bonds on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1992 B Bonds Sinking Fund and the next annual principal payment date is less than 13 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(5) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and pay to the Commission the amounts required by the Prior Ordinance to be deposited in the reserve account established therein for the Series 1987 Supplemental Bonds, and simultaneously therewith commencing 13 months prior to the first date of payment of principal of the Series 1992 B Bonds, if not fully funded upon issuance of the Series 1992 B Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1992 B Bonds Reserve Account, an amount equal to 1/120 of the Series 1992 B Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1992 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1992 B Bonds Reserve Requirement.

(6) Thereafter, the Issuer shall, each month, pay from the Revenue Fund current Operating Expenses of the System.

Moneys in the Series 1992 A Bonds Sinking Fund and the Series 1992 B Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the respective series of Bonds as the same shall become due. Moneys in the Series 1992 A Bonds Reserve Account and the Series 1992 B Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the respective series of Bonds, as the same shall come due, when other moneys in the attendant Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the several Sinking Funds and Reserve Accounts shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Bond Construction Trust Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payments, if any, due on the respective series of Bonds, and then to the next ensuing principal payments due thereon.

Any withdrawals from the Series 1992 A Bonds Reserve Account which result in a reduction in the balance of the Series 1992 A Bonds Reserve Account to below the Series 1992 A Bonds Reserve Requirement shall be subsequently restored from the first Gross Revenues available after all required payments have been made in full

to the Series 1992 A Bonds Sinking Fund for payment of debt service on the Series 1992 A Bonds and to the Series 1987 Bonds Sinking Fund for payment of debt service on the Series 1987 Bonds.

Any withdrawals from the Series 1992 B Bonds Reserve Account which result in a reduction in the balance of the Series 1992 B Bonds Reserve Account to below the Series 1992 B Bonds Reserve Requirement shall be subsequently restored from the first Gross Revenues available after all required payments to the Series 1987 Bonds Sinking Fund, the Series 1992 A Bonds Sinking Fund, the Series 1987 Bonds Reserve Account, the Series 1992 A Bonds Reserve Account, the Renewal and Replacement Fund, and the Series 1992 B Bonds Sinking Fund have been made in full.

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

The Issuer shall not be required to make any further payments into the Series 1992 A Bonds Sinking Fund, or the Series 1992 B Bonds Sinking Fund or into the Reserve Accounts therein when the aggregate amount of funds in said respective Sinking Funds and Reserve Accounts are at least equal to the aggregate principal amount of the respective Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the respective maturities thereof.

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

The payments into the Sinking Funds shall be made on the first day of each month, except that when the first day of any month shall be a Sunday or legal holiday, then such payments shall be made on the next succeeding business day,

and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation.

Moneys in the Reserve Accounts shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Sinking Funds, including the Reserve Accounts therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the respective Bonds and any additional Bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Sinking Funds, including the Reserve Accounts therein, the Prior Bonds Sinking Fund and the Renewal and Replacement Fund during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System, including, but not limited to, payment to the Trustee for deposit in the Notes Debt Service Fund.

C. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay the charges, fees and expenses of the Depository Bank, the Commission, the Registrar and the Paying Agent.

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

E. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the

subsequent payment dates; provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this Section 5.03, and the Gross Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

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

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

H. All Tap Fees shall be deposited by the Issuer, as received, in the Bond Construction Trust Fund, and following completion of the Project, shall be deposited in the Revenue Fund and may be used for any lawful purpose of the System, provided that, in the event Notes are issued, Tap Fees may, with the written consent of the Authority be deposited otherwise.

ARTICLE VI

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the moneys received from the sale of any or all of the Original Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 1992 A Bonds, there shall first be deposited with the Commission in the Series 1992 A Bonds Sinking Fund, the amount, if any, specified in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 1992 A Bonds for the period commencing on the date of issuance of the Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. Next, from the proceeds of the Series 1992 A Bonds, there shall be deposited with the Commission in the Series 1992 A Bonds Reserve Account and from the proceeds of the Series 1992 B Bonds, there shall be deposited with the Commission in the Series 1992 B Reserve Account the respective sums, if any, set forth in the Supplemental Resolution for funding of the Reserve Accounts.

C. Next, from the proceeds of the Series 1992 A Bonds, there shall first be credited to the Bond Construction Trust Fund and then paid, any and all borrowings by the Issuer made for the purpose of temporarily financing a portion of the Costs of the Project, including interest accrued thereon to the date of such payment, not otherwise paid from funds of the Issuer.

D. The remaining moneys derived from the sale of the Bonds shall be deposited with the Depository Bank in the Bond Construction Trust Fund and applied solely to payment of Costs of the Project in the manner set forth in Section 6.02.

E. The Depository Bank shall act as a trustee and fiduciary for the Bondholder with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Construction Trust Fund set forth in the Bond Legislation. Moneys in the Bond Construction Trust Fund shall be used solely to pay Costs of the Project and until so transferred or expended, are hereby pledged as additional security for the Series 1992 A Bonds, and thereafter, for the Series 1992 B Bonds. In the event that Notes are issued, the disposition of funds in the Bond

Construction Trust Fund may be modified from that set forth herein, with the written consent of the Authority.

Section 6.02. Disbursements From the Bond Construction Trust Fund. Payments for Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Bond Construction Trust Fund (except for the costs of issuance of the Original Bonds which shall be made upon request of the Issuer), shall be made only after submission to the Depository Bank of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating:

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

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

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

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

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

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

After completion of the Project, as certified by the Consulting Engineers, and all Costs have been paid, the Depository Bank shall transfer any moneys remaining in the Bond Construction Trust Fund to the Series 1992 A Bonds Reserve Account, and when fully

funded to the Series 1992 B Bonds Reserve Account, and when both Reserve Accounts are fully funded, shall return such remaining moneys to the Issuer for deposit in the Revenue Fund; provided that, in no event shall more than 10% of the proceeds of either or both the Series 1992 A Bonds or the Series 1992 B Bonds be deposited in the Reserve Accounts and any balance in excess of said amounts shall be returned to the Issuer for deposit in the Revenue Fund. The Issuer shall thereafter, apply such moneys in full, first to the next ensuing interest payments, if any, due on the respective series of Bonds and thereafter to the next ensuing principal payments due thereon. Notwithstanding the foregoing, if the Authority tenders any of its Series 1992 B Bonds to the Issuer pursuant to the provisions of the Supplemental Loan Agreement, such moneys shall be applied to the purchase of such Series 1992 B Bonds.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

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

Until the payment in full of the principal of and interest on the Notes when due, and to the extent they do not materially adversely affect Bondholders, the covenants, agreements and provisions contained in this Bond Legislation shall, where applicable, also inure to the benefit of the Holders of the Notes and the Trustee therefor and constitute valid and legally binding covenants of the Issuer, enforceable in any court of competent jurisdiction by the Trustee or any Holder or Holders of said Notes as prescribed in the Indenture; provided, that Section 7.09 shall not be applied to the Grant Anticipation Notes.

Section 7.02. Bonds and Notes not to be Indebtedness of the Issuer. Neither the Bonds nor the Notes shall be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any Bonds or Notes, shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Bonds or Notes or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Gross Revenues; Lien Positions with Respect to Prior Bonds. The payment of the debt service of the Series 1992 A Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on the Gross Revenues derived from the operation of the System, on a parity with the lien on said Gross Revenues in favor of the Holders of the Series 1987 Bonds, and senior and prior to the lien on said Gross Revenues in favor of the Holders of the Series 1987 Supplemental Bonds and the Series 1992 B Bonds. The payment of the debt service of the Series 1992 B Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on said Gross Revenues, on a parity with the lien on said Gross Revenues in favor of the Holders of the Series 1987 Supplemental

Bonds, and junior and subordinate to the lien on said Gross Revenues in favor of the Holders of the Series 1987 Bonds and the Series 1992 A Bonds. The Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Prior Bonds and the Bonds and to make the payments into the Sinking Funds, including the Reserve Accounts therein, and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Bonds as the same become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in the water rate ordinance of the Issuer enacted February 24, 1992, which rates are incorporated herein by reference as a part hereof.

Section 7.05. Sale of the System. Except as otherwise required by law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds and the Notes, if any, Outstanding, or to effectively defease this Bond Legislation in accordance with Article X hereof and, if entered into and not previously defeased, the Indenture in accordance with Section 8.01 thereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Bonds, immediately be remitted to the Commission for deposit in the Sinking Funds, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Bonds. Any balance remaining after the payment of all the Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System. With respect to the Notes, such proceeds in an amount sufficient to pay the Notes in full shall be applied to the payment of the Notes, either at maturity or, if allowable under the Supplemental Resolution or Indenture, prior thereto.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such

properties, is not in excess of $10,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of $10,000 but not in excess of $50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $10,000 and not in excess of $50,000, shall with the written consent of the Authority, be remitted by the Issuer to the Commission for deposit in the Sinking Fund and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value or otherwise. Such payment of such proceeds into the Sinking Fund or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of $50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of 66-2/3% in amount of the Bonds then Outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and in Section 7.07B, the Issuer shall not issue any other obligations whatsoever with a lien on or otherwise payable from any source of payment pledged originally to the Notes issued under the Indenture or supplemental resolution prior to or on a parity with the lien on behalf of such Notes until such Notes have been defeased in accordance with the provisions of the Indenture and the Bond Legislation; and, so long as any of the Bonds are Outstanding, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior

to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds; provided, however, that additional Bonds on a parity with the Series 1992 B Bonds only may be issued as provided for in Section 7.07 hereof. All obligations issued by the Issuer after the issuance of the Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Series 1992 A Bonds and the Series 1992 B Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the Reserve Accounts and the Renewal and Replacement Fund at the time of the issuance of such subordinate obligations have been made and are current.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Bonds and the interest thereon in this Bond Legislation, or upon the System or any part thereof.

Section 7.07. Parity Bonds. A. No Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to this Bond Legislation, except under the conditions and in the manner herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1992 B Bonds. No Parity Bonds shall be issued which shall be payable out of the revenues of the System on a parity with the Series 1992 A Bonds, unless the Series 1992 B Bonds are no longer outstanding.

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

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Recorder a written statement by the Independent Certified Public Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be

received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

(1) The Prior Bonds and any other obligations with a lien on the Gross Revenues prior to or on a parity with the Bonds;

(2) The Bonds then Outstanding;

(3) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Ordinance then Outstanding; and

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

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates enacted by the Issuer, the period for appeal of which has expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the Recorder prior to the issuance of such Parity Bonds.

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

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

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith)

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

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the Prior Bonds, the Series 1992 A Bonds and the Series 1992 B Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Prior Bonds, the Series 1992 A Bonds or the Series 1992 B Bonds.

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in this Bond Legislation and the Prior Ordinance with respect to the Bonds then Outstanding, and any other payments provided for in this Bond Legislation and the Prior Ordinance, shall have been made in full as required to the date of delivery of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Bond Legislation and the Prior Ordinance.

B. Notwithstanding the foregoing, or any provision of Section 7.06 to the contrary, additional Bonds may be issued solely for the purpose of completing the Project as described in the application to the Authority submitted as of the date of the Loan Agreement without regard to the restrictions set forth in this Section 7.07, if there is first obtained by the Issuer the written consent of the Authority to the issuance of bonds on a parity with the Bonds.

Section 7.08. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which

complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds issued pursuant to this Bond Legislation shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

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

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

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

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

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

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

Section 7.09. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Recorder, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the Reserve Requirements are on deposit respectively in the Reserve Accounts and reserve accounts for obligations prior to or on a parity with the Bonds (including the Prior Bonds) are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds. In any event, the Issuer shall not reduce the rates or charges for services set forth in the rate ordinance described in Section 7.04.

Section 7.10. Operating Budget and Audit. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority within 30 days of adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10%

of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and to any Holder of any Bonds who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

In addition, the Issuer shall annually cause the records of the System to be audited by an independent certified public accountant, the report of which audit shall be submitted to the Authority and which audit report shall include a statement that the Issuer is in compliance with the terms and provisions of this Bond Legislation and the Loan Agreement.

Section 7.11. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.12. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off

the services of the System to all users thereof delinquent in payment of charges for the services of the System and will not restore such services of the System until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 7.13. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.14. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as any of the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project on a 100% basis (completed value form) on the insurable portion

of the Project, such insurance to be made payable to the order of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

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

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

(4) FLOOD INSURANCE, to the extent available at reasonable cost to the Issuer.

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

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

Section 7.15. Connections. To the extent permitted by the laws of the State and rules and regulations of the Public Service Commission of West Virginia, the Issuer shall require every owner, tenant or occupant of any house, dwelling or building intended to be served by the System to connect thereto.

Section 7.16. Completion of Project. The Issuer will complete the Project and operate and maintain the System in good condition.

Section 7.17. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PRIVATE BUSINESS USE LIMITATION. The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Original Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Original Bonds during the term thereof is, under the terms of the Original Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) and that, in the event that both (A) in excess of 5% of the Net Proceeds of the Original Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Original Bonds during the term thereof is, under the terms of the Original Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Original Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the Project, or if the Original Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of that portion of the Project to which such Private Business Use is related. All of the foregoing shall be determined in accordance with the Code.

B. PRIVATE LOAN LIMITATION. The Issuer shall assure that not in excess of 5% of the Net Proceeds of the Original Bonds are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. FEDERAL GUARANTEE PROHIBITION. The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Original Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

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

E. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it (including, without limitation, those deemed necessary by the Authority) so that the interest on the Original Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions, or fail to take any actions (including, without limitation, those deemed necessary by the Authority), the result of which would adversely affect such exclusion.

Section 7.18. Statutory Mortgage Lien. For the further protection of the Holders of the Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Bonds and shall be for the equal benefit of all Holders of each respective series of Bonds, provided however, that the statutory mortgage lien in favor of the Holders of the Series 1992 A Bonds shall be on a parity with that in favor of the Holders of the Series 1987 Bonds, and shall be senior to the statutory mortgage lien in favor of the Holders of the Series 1992 B Bonds and the Series 1987 Supplemental Bonds; and the statutory mortgage lien in favor of the Holders of the Series 1992 B Bonds shall be junior and subordinate to that in favor of the Holders of the Series 1987 Bonds and the Series 1992 A Bonds, and shall be on a parity with that in favor of the Holders of the Series 1987 Supplemental Bonds.

ARTICLE VIII

INVESTMENT OF FUNDS; NON ARBITRAGE

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

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

The Trustee, if any, and the Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year (or more often if reasonably requested by the Issuer), a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Bonds are Outstanding and as long thereafter as necessary to comply with the

Code and assure the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 8.02. Arbitrage. The Issuer covenants that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Original Bonds which would cause the Original Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a Federal information return with respect to the Original Bonds) so that the interest on the Original Bonds will be and remain excluded from gross income for Federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.03. Small Issuer Exemption from Rebate of Excess Investment Earnings to the United States. In accordance with Section 148(f)(4)(D) of the Code, the Issuer covenants that it is a governmental unit with general taxing powers; that no part of the Original Bonds are private activity bonds; that 95% or more of the Net Proceeds of the Original Bonds are to be used for local governmental activities of the Issuer (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the Issuer); and that the aggregate face amount of all the tax-exempt obligations (other than private activity bonds) issued by the Issuer during the calendar year in which the Original Bonds are issued does not and will not exceed $5,000,000, determined in accordance with Section 148(f)(4)(D) of the Code and the Regulations from time to time in effect and applicable to the Original Bonds. For purposes of this first paragraph of Section 8.03 and for purposes of applying Section 148(f)(4)(D) of the Code, the Issuer and all entities which issue obligations on behalf of the Issuer shall be treated as one issuer; all obligations issued by a governmental unit to make loans to other governmental units with general taxing powers not subordinate to such unit shall, for purposes of applying this first paragraph of Section 8.03 and Section 148(f)(4)(D) of the Code, be treated as not issued by such unit; all obligations issued by a subordinate entity shall, for purposes of applying this first paragraph of Section 8.03 and Section 148(f)(4)(D) of the Code to each other entity to which such entity is subordinate, be treated as issued by such other entity; and an entity formed (or, to the extent provided by the Secretary, as set forth in the Code, availed of) to avoid the purposes of such Section 148(f)(4)(D) of the Code and all other entities benefiting thereby shall be treated as one issuer.

Notwithstanding the foregoing, if in fact the Issuer is subject to the rebate requirements of Section 148(f) of the Code, and not exempted from such requirements, the Issuer covenants to make, or

cause to be made, all rebate calculations, computations and payments in the time, manner and as required in Section 148(f) of the Code and the Regulations from time to time in effect and applicable to the Original Bonds and otherwise covenants and agrees to comply with the provisions of such Section 148(f) of the Code and the Regulations from time to time in effect and applicable to the Original Bonds. In the event of a failure to pay any such amount or amounts, the Issuer will pay, from any lawful sources available therefor, to the United States an amount equal to the sum of 50% of the amount not paid, plus interest at the required rate on the portion of the amount which was not paid on the required date, beginning on such date, unless waived. In order to provide for the administration of this paragraph, the Issuer may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the Issuer may deem appropriate.

The Issuer shall furnish to the Authority, annually, and at such time as it is required to perform its rebate calculations under the Code, a certificate with respect to its rebate calculations and, at any time, any additional information relating thereto as may be requested by the Authority. In addition, the Issuer shall cooperate with the Authority in preparing any required rebate calculations and in all other respects in connection with rebates and hereby consents to the performance of all matters in connection with such rebates by the Authority at the expense of the Issuer.

The Issuer shall submit to the Authority within 15 days following the end of each Bond Year a certified copy of its rebate calculation or, if the Issuer qualifies for the small governmental issue exception to rebate, the Issuer shall submit a certificate stating that it is exempt from the rebate provisions and that no event has occurred to its knowledge during the Bond Year which would make the Original Bonds subject to rebate. The Issuer shall also furnish to the Authority, at any time, such additional information relating to rebate as may be reasonably requested by the Authority, including information with respect to earnings on all funds constituting "gross proceeds" of the Bonds (as such term "gross proceeds" is defined in the Code).

ARTICLE IX

DEFAULT AND REMEDIES

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

(1) If default occurs in the due and punctual payment of the principal of or interest on any Notes; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Notes set forth in this Bond Legislation, any supplemental resolution, the Indenture or in the Notes, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Trustee, any other bank or banking association holding any fund or account hereunder or a Holder of a Note; or

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

B. Each of the following events shall constitute an "Event of Default" with respect to the Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest on any Bonds; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Bonds set forth in this Bond Legislation, any supplemental resolution or in the Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, Registrar or any other Paying Agent or a Holder of a Bond; or

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

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Note or Bond, as the case may be, may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Notes or the Bonds, as the case may be, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Notes or the Bonds, as the case may be, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Notes or the Bonds, as the case may be, or the rights of such Registered Owners, provided however, that no remedy herein stated may be exercised by a Noteholder in a manner which adversely affects any remedy of the Bondholders, and provided further, that all rights and remedies of the Holders of the Series 1992 B Bonds and the Series 1987 Supplemental Bonds shall be subject to those of the Holders of the Series 1992 A Bonds and the Series 1987 Bonds.

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

The receiver so appointed shall forthwith, directly or by his or her or its agents and attorneys, enter into and upon and take possession of all facilities of said System and shall hold, operate and maintain, manage and control such facilities, and each and every

part thereof, and in the name of the Issuer exercise all the rights and powers of the Issuer with respect to said facilities as the Issuer itself might do.

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

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

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

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Series 1992 A Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1992 A Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 1992 A Bonds only, the pledge of Gross Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1992 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Original Bonds from gross income for federal income tax purposes.

Series 1992 A 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 with the Paying Agents at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date, the principal installments of and interest on such Series 1992 A Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 1992 A 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 with the Commission or its agent, 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 other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on said Series 1992 A Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission 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 installments of and interest on said Series 1992 A Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, 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 installments of and interest to become due on said Bonds on and prior

to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

Section 10.02. Defeasance of Series 1992 B Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1992 B Bonds, the principal due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 1992 B Bonds only, the pledge of Gross Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1992 B Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Original Bonds from gross income for federal income tax purposes.

Series 1992 B 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 with the Paying Agents at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date the principal installments of such Series 1992 B Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 1992 B 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 with the Commission or its agent, 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 other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of said Series 1992 B Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission 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 installments of said Series 1992 B Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, 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 installments of said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such

reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

Section 10.03. Defeasance of Notes. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of any series of Notes, the principal of and interest due or to become due thereon, at the times and in the manner set forth in the Indenture, then with respect to such Notes only, this Bond Legislation, the Indenture, if any, and the pledges of Grant Receipts and other moneys and securities pledged thereby, and all covenants, agreements and other obligations of the Issuer to the Holders of the Notes shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Notes from gross income for federal income tax purposes.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. No material modification or amendment of this Bond Legislation, or of any ordinance, resolution or order amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Notes or the Bonds shall be made without the consent in writing of the Registered Owners of 66-2/3% or more in principal amount of the Notes, the Series 1992 A Bonds or the Series 1992 B Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or any Note or Notes or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder or Noteholder as may be necessary to assure the exclusion of interest on the Original Bonds and the Notes from gross income of the Holders thereof.

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

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

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

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

conflict, hereby repealed, provided that, in the event of any conflict between this Ordinance and the Prior Ordinance, the Prior Ordinance shall control (unless less restrictive), so long as the Prior Bonds or any portion thereof are Outstanding.

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Ordinance do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Mayor, Recorder and members of the Governing Body were at all times when any actions in connection with this Ordinance occurred and are duly in office and duly qualified for such office.

Section 11.07. Effective Date. This Ordinance shall take effect immediately following public hearing hereon.

Section 11.08. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Bond Legislation determined by the Governing Body to contain sufficient information as to give notice of the contents hereof shall be published once a week for 2 successive weeks within a period of fourteen consecutive days, with at least 6 full days intervening between each publication, in The Moorefield Examiner, a qualified newspaper published and of general circulation in the Town of Moorefield, together with a notice stating that this Bond Legislation has been adopted and that the Issuer contemplates the issuance of the Bonds described herein and that any person interested may appear before the City Council upon a date certain, not less than ten days subsequent to the date of the first publication of such abstract of this Bond Legislation and notice, and present protests, and that a certified copy of the Ordinance is on file with the Governing Body for review by interested persons during office hours of the Governing Body. At such hearing, all objections and suggestions shall be heard and the Governing Body shall take such action as it shall deem proper in the premises.

Passed on First Reading - April 21, 1992

Passed on Second Reading - May 5, 1992

Passed on Final Reading Following Public Hearing - May 19, 1992

Mayor

Recorder

CERTIFICATION

Certified a true copy of an Ordinance duly enacted by the Council of the TOWN OF MOOREFIELD on the 19th of May, 1992.

Dated: May 28, 1992

[SEAL]

Recorder

05/18/92
MOOREB.A4
62150/92001

"EXHIBIT A"

[Included as Document Nos. 3 and 4 of Bond Transcript]

Final

$3,155,000

City of Moorefield, West Virginia

Water Revenue Bonds

Series 2007 (BQ/Non-Rated)

Sources & Uses

Dated 03/01/2007 | Delivered 03/16/2007

Sources Of Funds	
Par Amount of Bonds	$3,155,000.00
Accrued Interest from 03/01/2007 to 03/16/2007	6,321.98
Original Issue Discount (OID)	(27,659.00)
Total Sources	**$3,133,662.98**

Uses Of Funds	
Deposit to Project Construction Fund	2,698,616.79
Deposit to Debt Service Reserve Fund (DSRF)	194,347.50
Deposit to Capitalized Interest (CIF) Fund	104,696.23
Total Underwriter's Discount (2.500%)	78,875.00
Costs of Issuance	50,000.00
Deposit to Debt Service Fund	6,321.98
Rounding Amount	805.48
Total Uses	**$3,133,662.98**

Crews & Associates

Public Finance

Final

$3,155,000

City of Moorefield, West Virginia
Water Revenue Bonds
Series 2007 (BQ/Non-Rated)

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	DSR	CIF	Net New D/S	Fiscal Total
03/16/2007	-	-	-	-	-	-	-	-
09/01/2007	-	-	75,863.75	75,863.75	-	(75,863.75)	-	-
03/01/2008	10,000.00	4.100%	75,863.75	85,863.75	-	(37,931.88)	47,931.88	47,931.88
09/01/2008	-	-	75,658.75	75,658.75	-	-	75,658.75	-
03/01/2009	40,000.00	4.100%	75,658.75	115,658.75	-	-	115,658.75	191,317.50
09/01/2009	-	-	74,838.75	74,838.75	-	-	74,838.75	-
03/01/2010	40,000.00	4.100%	74,838.75	114,838.75	-	-	114,838.75	189,677.50
09/01/2010	-	-	74,018.75	74,018.75	-	-	74,018.75	-
03/01/2011	45,000.00	4.100%	74,018.75	119,018.75	-	-	119,018.75	193,037.50
09/01/2011	-	-	73,096.25	73,096.25	-	-	73,096.25	-
03/01/2012	45,000.00	4.100%	73,096.25	118,096.25	-	-	118,096.25	191,192.50
09/01/2012	-	-	72,173.75	72,173.75	-	-	72,173.75	-
03/01/2013	50,000.00	4.300%	72,173.75	122,173.75	-	-	122,173.75	194,347.50
09/01/2013	-	-	71,098.75	71,098.75	-	-	71,098.75	-
03/01/2014	50,000.00	4.300%	71,098.75	121,098.75	-	-	121,098.75	192,197.50
09/01/2014	-	-	70,023.75	70,023.75	-	-	70,023.75	-
03/01/2015	50,000.00	4.300%	70,023.75	120,023.75	-	-	120,023.75	190,047.50
09/01/2015	-	-	68,948.75	68,948.75	-	-	68,948.75	-
03/01/2016	55,000.00	4.300%	68,948.75	123,948.75	-	-	123,948.75	192,897.50
09/01/2016	-	-	67,766.25	67,766.25	-	-	67,766.25	-
03/01/2017	55,000.00	4.300%	67,766.25	122,766.25	-	-	122,766.25	190,532.50
09/01/2017	-	-	66,583.75	66,583.75	-	-	66,583.75	-
03/01/2018	60,000.00	4.600%	66,583.75	126,583.75	-	-	126,583.75	193,167.50
09/01/2018	-	-	65,203.75	65,203.75	-	-	65,203.75	-
03/01/2019	60,000.00	4.600%	65,203.75	125,203.75	-	-	125,203.75	190,407.50
09/01/2019	-	-	63,823.75	63,823.75	-	-	63,823.75	-
03/01/2020	65,000.00	4.600%	63,823.75	128,823.75	-	-	128,823.75	192,647.50
09/01/2020	-	-	62,328.75	62,328.75	-	-	62,328.75	-
03/01/2021	65,000.00	4.600%	62,328.75	127,328.75	-	-	127,328.75	189,657.50
09/01/2021	-	-	60,833.75	60,833.75	-	-	60,833.75	-
03/01/2022	70,000.00	4.600%	60,833.75	130,833.75	-	-	130,833.75	191,667.50
09/01/2022	-	-	59,223.75	59,223.75	-	-	59,223.75	-
03/01/2023	75,000.00	4.750%	59,223.75	134,223.75	-	-	134,223.75	193,447.50
09/01/2023	-	-	57,442.50	57,442.50	-	-	57,442.50	-
03/01/2024	75,000.00	4.750%	57,442.50	132,442.50	-	-	132,442.50	189,885.00
09/01/2024	-	-	55,661.25	55,661.25	-	-	55,661.25	-
03/01/2025	80,000.00	4.750%	55,661.25	135,661.25	-	-	135,661.25	191,322.50
09/01/2025	-	-	53,761.25	53,761.25	-	-	53,761.25	-
03/01/2026	85,000.00	4.750%	53,761.25	138,761.25	-	-	138,761.25	192,522.50
09/01/2026	-	-	51,742.50	51,742.50	-	-	51,742.50	-
03/01/2027	90,000.00	4.750%	51,742.50	141,742.50	-	-	141,742.50	193,485.00
09/01/2027	-	-	49,605.00	49,605.00	-	-	49,605.00	-
03/01/2028	95,000.00	4.900%	49,605.00	144,605.00	-	-	144,605.00	194,210.00
09/01/2028	-	-	47,277.50	47,277.50	-	-	47,277.50	-

Final

$3,155,000

City of Moorefield, West Virginia
Water Revenue Bonds
Series 2007 (BQ/Non-Rated)

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	DSR	CIF	Net New D/S	Fiscal Total
03/01/2029	95,000.00	4.900%	47,277.50	142,277.50	-	-	142,277.50	189,555.00
09/01/2029	-	-	44,950.00	44,950.00	-	-	44,950.00	-
03/01/2030	100,000.00	4.900%	44,950.00	144,950.00	-	-	144,950.00	189,900.00
09/01/2030	-	-	42,500.00	42,500.00	-	-	42,500.00	-
03/01/2031	105,000.00	5.000%	42,500.00	147,500.00	-	-	147,500.00	190,000.00
09/01/2031	-	-	39,875.00	39,875.00	-	-	39,875.00	-
03/01/2032	110,000.00	5.000%	39,875.00	149,875.00	-	-	149,875.00	189,750.00
09/01/2032	-	-	37,125.00	37,125.00	-	-	37,125.00	-
03/01/2033	120,000.00	5.000%	37,125.00	157,125.00	-	-	157,125.00	194,250.00
09/01/2033	-	-	34,125.00	34,125.00	-	-	34,125.00	-
03/01/2034	125,000.00	5.000%	34,125.00	159,125.00	-	-	159,125.00	193,250.00
09/01/2034	-	-	31,000.00	31,000.00	-	-	31,000.00	-
03/01/2035	130,000.00	5.000%	31,000.00	161,000.00	-	-	161,000.00	192,000.00
09/01/2035	-	-	27,750.00	27,750.00	-	-	27,750.00	-
03/01/2036	135,000.00	5.000%	27,750.00	162,750.00	-	-	162,750.00	190,500.00
09/01/2036	-	-	24,375.00	24,375.00	-	-	24,375.00	-
03/01/2037	145,000.00	5.000%	24,375.00	169,375.00	-	-	169,375.00	193,750.00
09/01/2037	-	-	20,750.00	20,750.00	-	-	20,750.00	-
03/01/2038	150,000.00	5.000%	20,750.00	170,750.00	-	-	170,750.00	191,500.00
09/01/2038	-	-	17,000.00	17,000.00	-	-	17,000.00	-
03/01/2039	160,000.00	5.000%	17,000.00	177,000.00	-	-	177,000.00	194,000.00
09/01/2039	-	-	13,000.00	13,000.00	-	-	13,000.00	-
03/01/2040	165,000.00	5.000%	13,000.00	178,000.00	-	-	178,000.00	191,000.00
09/01/2040	-	-	8,875.00	8,875.00	-	-	8,875.00	-
03/01/2041	175,000.00	5.000%	8,875.00	183,875.00	-	-	183,875.00	192,750.00
09/01/2041	-	-	4,500.00	4,500.00	-	-	4,500.00	-
03/01/2042	180,000.00	5.000%	4,500.00	184,500.00	(194,347.50)	-	(9,847.50)	(5,347.50)
Total	**$3,155,000.00**	**-**	**$3,525,600.00**	**$6,680,600.00**	**(194,347.50)**	**(113,795.62)**	**$6,372,456.88**	**-**

Crews & Associates
Public Finance

Final

$3,155,000

City of Moorefield, West Virginia
Water Revenue Bonds
Series 2007 (BQ/Non-Rated)

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
03/01/2008	10,000.00	4.100%	151,727.50	161,727.50
03/01/2009	40,000.00	4.100%	151,317.50	191,317.50
03/01/2010	40,000.00	4.100%	149,677.50	189,677.50
03/01/2011	45,000.00	4.100%	148,037.50	193,037.50
03/01/2012	45,000.00	4.100%	146,192.50	191,192.50
03/01/2013	50,000.00	4.300%	144,347.50	194,347.50
03/01/2014	50,000.00	4.300%	142,197.50	192,197.50
03/01/2015	50,000.00	4.300%	140,047.50	190,047.50
03/01/2016	55,000.00	4.300%	137,897.50	192,897.50
03/01/2017	55,000.00	4.300%	135,532.50	190,532.50
03/01/2018	60,000.00	4.600%	133,167.50	193,167.50
03/01/2019	60,000.00	4.600%	130,407.50	190,407.50
03/01/2020	65,000.00	4.600%	127,647.50	192,647.50
03/01/2021	65,000.00	4.600%	124,657.50	189,657.50
03/01/2022	70,000.00	4.600%	121,667.50	191,667.50
03/01/2023	75,000.00	4.750%	118,447.50	193,447.50
03/01/2024	75,000.00	4.750%	114,885.00	189,885.00
03/01/2025	80,000.00	4.750%	111,322.50	191,322.50
03/01/2026	85,000.00	4.750%	107,522.50	192,522.50
03/01/2027	90,000.00	4.750%	103,485.00	193,485.00
03/01/2028	95,000.00	4.900%	99,210.00	194,210.00
03/01/2029	95,000.00	4.900%	94,555.00	189,555.00
03/01/2030	100,000.00	4.900%	89,900.00	189,900.00
03/01/2031	105,000.00	5.000%	85,000.00	190,000.00
03/01/2032	110,000.00	5.000%	79,750.00	189,750.00
03/01/2033	120,000.00	5.000%	74,250.00	194,250.00
03/01/2034	125,000.00	5.000%	68,250.00	193,250.00
03/01/2035	130,000.00	5.000%	62,000.00	192,000.00
03/01/2036	135,000.00	5.000%	55,500.00	190,500.00
03/01/2037	145,000.00	5.000%	48,750.00	193,750.00
03/01/2038	150,000.00	5.000%	41,500.00	191,500.00
03/01/2039	160,000.00	5.000%	34,000.00	194,000.00
03/01/2040	165,000.00	5.000%	26,000.00	191,000.00
03/01/2041	175,000.00	5.000%	17,750.00	192,750.00
03/01/2042	180,000.00	5.000%	9,000.00	189,000.00
Total	**$3,155,000.00**	-	**$3,525,600.00**	**$6,680,600.00**

Yield Statistics

Accrued Interest from 03/01/2007 to 03/16/2007	6,321.98
Bond Year Dollars	$71,745.00
Average Life	22.740 Years
Average Coupon	4.9140707%
Net Interest Cost (NIC)	5.0625605%
True Interest Cost (TIC)	5.1577560%
Bond Yield for Arbitrage Purposes	4.9573119%
All Inclusive Cost (AIC)	5.2890559%

IRS Form 8038

Net Interest Cost	5.0018126%
Weighted Average Maturity	22.675 Years

Crews & Associates
Public Finance

Final

$3,155,000

City of Moorefield, West Virginia
Water Revenue Bonds
Series 2007 (BQ/Non-Rated)

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
03/01/2012	Term 1 Coupon	4.100%	4.100%	180,000.00	100.000%	180,000.00
03/01/2017	Term 2 Coupon	4.300%	4.300%	260,000.00	100.000%	260,000.00
03/01/2022	Term 3 Coupon	4.600%	4.600%	320,000.00	100.000%	320,000.00
03/01/2027	Term 4 Coupon	4.750%	4.750%	405,000.00	100.000%	405,000.00
03/01/2030	Term 5 Coupon	4.900%	4.900%	290,000.00	100.000%	290,000.00
03/01/2042	Term 6 Coupon	5.000%	5.100%	1,700,000.00	98.373%	1,672,341.00
Total	-	-	-	**$3,155,000.00**	-	**$3,127,341.00**

Bid Information

Par Amount of Bonds	$3,155,000.00
Reoffering Premium or (Discount)	(27,659.00)
Gross Production	$3,127,341.00
Total Underwriter's Discount (2.500%)	$(78,875.00)
Bid (96.623%)	3,048,466.00
Accrued Interest from 03/01/2007 to 03/16/2007	6,321.98
Total Purchase Price	$3,054,787.98
Bond Year Dollars	$71,745.00
Average Life	22.740 Years
Average Coupon	4.9140707%
Net Interest Cost (NIC)	5.0625605%
True Interest Cost (TIC)	5.1577560%

Crews & Associates
Public Finance

Final

$3,155,000

City of Moorefield, West Virginia
Water Revenue Bonds
Series 2007 (BQ/Non-Rated)

Operation Of Project Construction Fund

Date	Principal	Rate	Interest	Receipts	Disbursements	Cash Balance
03/16/2007	-	4.0000000%	-	0.01	-	0.01
04/01/2007	899,543.01	4.0000000%	4,456.99	904,000.00	904,000.00	0.01
05/01/2007	898,052.46	4.0000000%	5,947.54	904,000.00	904,000.00	0.01
06/01/2007	901,021.31	4.0000000%	2,978.68	903,999.99	904,000.00	-
Total	**$2,698,616.78**	**-**	**$13,383.21**	**$2,712,000.00**	**$2,712,000.00**	**-**

Investment Parameters

Investment Model [PV, GIC, or Securities]	GIC
Default investment yield target	Unrestricted
Cash Deposit	0.01
Cost of Investments Purchased with Bond Proceeds	2,698,616.78
Total Cost of Investments	$2,698,616.79
Target Cost of Investments at bond yield	$2,695,465.27
Actual positive or (negative) arbitrage	(3,151.52)
Yield to Receipt	4.0000020%
Yield for Arbitrage Purposes	4.9573119%

Final

$3,155,000

City of Moorefield, West Virginia
Water Revenue Bonds
Series 2007 (BQ/Non-Rated)

Operation Of Capitalized Interest Fund

Date	Principal	Rate	Interest	Receipts	Disbursements	Cash Balance
03/16/2007	-	4.0000000%	-	-	-	-
09/01/2007	73,830.10	4.0000000%	2,033.65	75,863.75	75,863.75	-
03/01/2008	37,188.11	4.0000000%	743.76	37,931.87	37,931.88	-
Total	**$111,018.21**	**-**	**$2,777.41**	**$113,795.62**	**$113,795.63**	**-**

Investment Parameters

Investment Model [PV, GIC, or Securities]	GIC
Default investment yield target	Unrestricted
Cost of Investments Purchased with Bond Proceeds	111,018.21
Total Cost of Investments	$111,018.21
Target Cost of Investments at bond yield	$110,372.95
Actual positive or (negative) arbitrage	(645.26)
Yield to Receipt	3.9999971%
Yield for Arbitrage Purposes	4.9573119%

Composition Of Initial Deposit

Original Bond Proceeds	104,696.23
Accrued Interest	6,321.98
Cash Contribution and Prior Issue Transfers	-

Final

$3,155,000

City of Moorefield, West Virginia
Water Revenue Bonds
Series 2007 (BQ/Non-Rated)

Proof Of Bond Yield @ 4.9573119%

Date	Cashflow	PV Factor	Present Value	Cumulative PV
03/16/2007	-	1.0000000x	-	-
09/01/2007	75,863.75	0.9778060x	74,180.03	74,180.03
03/01/2008	85,863.75	0.9541558x	81,927.39	156,107.42
09/01/2008	75,658.75	0.9310776x	70,444.16	226,551.59
03/01/2009	115,658.75	0.9085575x	105,082.63	331,634.21
09/01/2009	74,838.75	0.8865822x	66,350.70	397,984.92
03/01/2010	114,838.75	0.8651384x	99,351.41	497,336.33
09/01/2010	74,018.75	0.8442133x	62,487.61	559,823.94
03/01/2011	119,018.75	0.8237942x	98,046.96	657,870.90
09/01/2011	73,096.25	0.8038691x	58,759.82	716,630.72
03/01/2012	118,096.25	0.7844259x	92,637.75	809,268.47
09/01/2012	72,173.75	0.7654529x	55,245.61	864,514.08
03/01/2013	122,173.75	0.7469389x	91,256.32	955,770.41
09/01/2013	71,098.75	0.7288726x	51,821.93	1,007,592.34
03/01/2014	121,098.75	0.7112434x	86,130.68	1,093,723.02
09/01/2014	70,023.75	0.6940405x	48,599.32	1,142,322.34
03/01/2015	120,023.75	0.6772537x	81,286.53	1,223,608.87
09/01/2015	68,948.75	0.6608729x	45,566.36	1,269,175.23
03/01/2016	123,948.75	0.6448884x	79,933.11	1,349,108.34
09/01/2016	67,766.25	0.6292904x	42,644.65	1,391,752.99
03/01/2017	122,766.25	0.6140697x	75,387.04	1,467,140.03
09/01/2017	66,583.75	0.5992172x	39,898.13	1,507,038.16
03/01/2018	126,583.75	0.5847239x	74,016.55	1,581,054.71
09/01/2018	65,203.75	0.5705812x	37,204.03	1,618,258.74
03/01/2019	125,203.75	0.5567805x	69,711.01	1,687,969.75
09/01/2019	63,823.75	0.5433136x	34,676.31	1,722,646.06
03/01/2020	128,823.75	0.5301725x	68,298.81	1,790,944.87
09/01/2020	62,328.75	0.5173492x	32,245.73	1,823,190.59
03/01/2021	127,328.75	0.5048360x	64,280.14	1,887,470.73
09/01/2021	60,833.75	0.4926255x	29,968.26	1,917,438.99
03/01/2022	130,833.75	0.4807104x	62,893.14	1,980,332.13
09/01/2022	59,223.75	0.4690834x	27,780.88	2,008,113.01
03/01/2023	134,223.75	0.4577377x	61,439.27	2,069,552.28
09/01/2023	57,442.50	0.4466663x	25,657.63	2,095,209.91
03/01/2024	132,442.50	0.4358628x	57,726.76	2,152,936.67
09/01/2024	55,661.25	0.4253206x	23,673.87	2,176,610.54
03/01/2025	135,661.25	0.4150333x	56,303.94	2,232,914.48
09/01/2025	53,761.25	0.4049949x	21,773.03	2,254,687.51
03/01/2026	138,761.25	0.3951993x	54,838.34	2,309,525.86
09/01/2026	51,742.50	0.3856406x	19,954.01	2,329,479.86
03/01/2027	141,742.50	0.3763131x	53,339.55	2,382,819.42
09/01/2027	49,605.00	0.3672112x	18,215.51	2,401,034.93
03/01/2028	144,605.00	0.3583294x	51,816.22	2,452,851.15
09/01/2028	47,277.50	0.3496625x	16,531.17	2,469,382.32

Crews & Associates
Public Finance

Final

$3,155,000

City of Moorefield, West Virginia
Water Revenue Bonds
Series 2007 (BQ/Non-Rated)

Proof Of Bond Yield @ 4.9573119%

Date	Cashflow	PV Factor	Present Value	Cumulative PV
03/01/2029	142,277.50	0.3412052x	48,545.82	2,517,928.14
09/01/2029	44,950.00	0.3329524x	14,966.21	2,532,894.35
03/01/2030	144,950.00	0.3248993x	47,094.15	2,579,988.50
09/01/2030	42,500.00	0.3170409x	13,474.24	2,593,462.74
03/01/2031	147,500.00	0.3093727x	45,632.47	2,639,095.20
09/01/2031	39,875.00	0.3018898x	12,037.86	2,651,133.06
03/01/2032	149,875.00	0.2945880x	44,151.38	2,695,284.44
09/01/2032	37,125.00	0.2874628x	10,672.06	2,705,956.50
03/01/2033	157,125.00	0.2805099x	44,075.12	2,750,031.62
09/01/2033	34,125.00	0.2737252x	9,340.87	2,759,372.49
03/01/2034	159,125.00	0.2671046x	42,503.02	2,801,875.51
09/01/2034	31,000.00	0.2606441x	8,079.97	2,809,955.48
03/01/2035	161,000.00	0.2543399x	40,948.73	2,850,904.21
09/01/2035	27,750.00	0.2481882x	6,887.22	2,857,791.44
03/01/2036	162,750.00	0.2421853x	39,415.65	2,897,207.09
09/01/2036	24,375.00	0.2363275x	5,760.48	2,902,967.57
03/01/2037	169,375.00	0.2306115x	39,059.81	2,942,027.38
09/01/2037	20,750.00	0.2250336x	4,669.45	2,946,696.83
03/01/2038	170,750.00	0.2195907x	37,495.12	2,984,191.95
09/01/2038	17,000.00	0.2142795x	3,642.75	2,987,834.70
03/01/2039	177,000.00	0.2090967x	37,010.12	3,024,844.82
09/01/2039	13,000.00	0.2040393x	2,652.51	3,027,497.33
03/01/2040	178,000.00	0.1991042x	35,440.54	3,062,937.87
09/01/2040	8,875.00	0.1942884x	1,724.31	3,064,662.18
03/01/2041	183,875.00	0.1895892x	34,860.71	3,099,522.89
09/01/2041	4,500.00	0.1850036x	832.52	3,100,355.40
03/01/2042	184,500.00	0.1805289x	33,307.58	3,133,662.98
Total	**$6,680,600.00**	-	**$3,133,662.98**	-

Derivation Of Target Amount

Par Amount of Bonds	$3,155,000.00
Reoffering Premium or (Discount)	(27,659.00)
Accrued Interest from 03/01/2007 to 03/16/2007	6,321.98
Original Issue Proceeds	$3,133,662.98

Crews & Associates
Public Finance

Final

$3,155,000

City of Moorefield, West Virginia
Water Revenue Bonds
Series 2007 (BQ/Non-Rated)

Derivation Of Form 8038 Yield Statistics

Maturity	Issuance Value	Price	Issuance PRICE	Exponent	Bond Years
03/01/2007	-	-	-	-	-
03/01/2008	10,000.00	100.000%	10,000.00	1.0000000x	10,000.00
03/01/2009	40,000.00	100.000%	40,000.00	2.0000000x	80,000.00
03/01/2010	40,000.00	100.000%	40,000.00	3.0000000x	120,000.00
03/01/2011	45,000.00	100.000%	45,000.00	4.0000000x	180,000.00
03/01/2012	45,000.00	100.000%	45,000.00	5.0000000x	225,000.00
03/01/2013	50,000.00	100.000%	50,000.00	6.0000000x	300,000.00
03/01/2014	50,000.00	100.000%	50,000.00	7.0000000x	350,000.00
03/01/2015	50,000.00	100.000%	50,000.00	8.0000000x	400,000.00
03/01/2016	55,000.00	100.000%	55,000.00	9.0000000x	495,000.00
03/01/2017	55,000.00	100.000%	55,000.00	10.0000000x	550,000.00
03/01/2018	60,000.00	100.000%	60,000.00	11.0000000x	660,000.00
03/01/2019	60,000.00	100.000%	60,000.00	12.0000000x	720,000.00
03/01/2020	65,000.00	100.000%	65,000.00	13.0000000x	845,000.00
03/01/2021	65,000.00	100.000%	65,000.00	14.0000000x	910,000.00
03/01/2022	70,000.00	100.000%	70,000.00	15.0000000x	1,050,000.00
03/01/2023	75,000.00	100.000%	75,000.00	16.0000000x	1,200,000.00
03/01/2024	75,000.00	100.000%	75,000.00	17.0000000x	1,275,000.00
03/01/2025	80,000.00	100.000%	80,000.00	18.0000000x	1,440,000.00
03/01/2026	85,000.00	100.000%	85,000.00	19.0000000x	1,615,000.00
03/01/2027	90,000.00	100.000%	90,000.00	20.0000000x	1,800,000.00
03/01/2028	95,000.00	100.000%	95,000.00	21.0000000x	1,995,000.00
03/01/2029	95,000.00	100.000%	95,000.00	22.0000000x	2,090,000.00
03/01/2030	100,000.00	100.000%	100,000.00	23.0000000x	2,300,000.00
03/01/2031	105,000.00	98.373%	103,291.65	24.0000000x	2,478,999.60
03/01/2032	110,000.00	98.373%	108,210.30	25.0000000x	2,705,257.50
03/01/2033	120,000.00	98.373%	118,047.60	26.0000000x	3,069,237.60
03/01/2034	125,000.00	98.373%	122,966.25	27.0000000x	3,320,088.75
03/01/2035	130,000.00	98.373%	127,884.90	28.0000000x	3,580,777.20
03/01/2036	135,000.00	98.373%	132,803.55	29.0000000x	3,851,302.95
03/01/2037	145,000.00	98.373%	142,640.85	30.0000000x	4,279,225.50
03/01/2038	150,000.00	98.373%	147,559.50	31.0000000x	4,574,344.50
03/01/2039	160,000.00	98.373%	157,396.80	32.0000000x	5,036,697.60
03/01/2040	165,000.00	98.373%	162,315.45	33.0000000x	5,356,409.85
03/01/2041	175,000.00	98.373%	172,152.75	34.0000000x	5,853,193.50
03/01/2042	180,000.00	98.373%	177,071.40	35.0000000x	6,197,499.00
Total	**$3,155,000.00**	-	**$3,127,341.00**	-	**$70,913,033.55**

IRS Form 8038

Weighted Average Maturity = Bond Years/Issue Price	22.675 Years
Total Interest from Debt Service	3,525,600.00
Accrued Interest from 03/01/2007 to 03/16/2007	(6,321.98)
Reoffering (Premium) or Discount	27,659.00
Total Interest	3,546,937.02
NIC = Interest / (Issue Price * Average Maturity)	5.0018126%
Bond Yield for Arbitrage Purposes	4.9573119%

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