

\$885,000
CITY OF SPENCER
WATER REVENUE BOND, SERIES 1998

BOND ORDINANCE

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CITY OF SPENCER —

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF MUNICIPAL PROPERTIES AND ISSUANCE OF PARITY WATER REVENUE BOND, SERIES 1998, OF THE CITY OF SPENCER, IN THE AMOUNT OF \$885,000, TO FINANCE THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS TO A PUBLIC WATER SYSTEM; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BOND; PROVIDING FOR INTERIM CONSTRUCTION FINANCING; PLACING LIMIT ON SALE OF SYSTEM; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES AND SECURITY OF THE HOLDER OF THE BOND; PROVIDING STATUTORY LIEN ON REVENUES AND SYSTEM; PROVIDING FOR THE ADOPTION, RATIFICATION, APPROVAL AND COLLECTION OF RATES AND CHARGES FOR THE PUBLIC WATER SYSTEM; AND PROVIDING GENERAL TERMS AND PROVIDING WHEN THIS ORDINANCE SHALL TAKE EFFECT.

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

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Ordinance. This Ordinance is adopted pursuant to the provisions of Article 19, Chapter 8 of the West Virginia Code, as amended (the "Act") and other applicable provisions of law.

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

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

B. The Issuer now has a public water system and desires to improve and expand that system and it is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of the Issuer and, accordingly, it is hereby ordered, that there be acquired and constructed certain additions, betterments and improvements to the existing public water system of the Issuer known as the "System" (sometimes referred to herein as the "System") so as to improve the public health, comfort and convenience of residents of the City, including the construction and installation of all necessary appurtenant facilities (the "Project"), and generally described as water line extensions, pumps, pumping stations, water plant improvements and necessary appurtenances particularly described in and according to the plans and specifications prepared by the Consulting Engineer for the Project and heretofore filed in the

office of the Recorder of the City Council (the "Governing Body") of the Issuer. The construction and acquisition of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

C. It is necessary for the Issuer to issue its revenue bond in the aggregate principal amounts of \$885,000 to finance a portion of the costs of such construction in the manner hereinafter provided.

D. The estimated maximum cost of the construction of the Project is \$1,500,000, which will be obtained from the proceeds of sale of the Series 1998 Bond herein authorized and from grants to be made by RUS, as hereinafter defined, and by the Appalachian Regional Commission, in the amounts of \$115,000 and \$500,000, respectively. The cost of such construction shall be deemed to include, without being limited to, the construction or acquisition of the Project, the acquisition of any necessary property, real or personal, or any interest therein; interest on the Bond prior to, during and for six (6) months after completion of such construction to the extent that revenues of the System are not sufficient therefor; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; and such other expenses as may be necessary or incidental to the construction of the Project and the financing authorized hereby.

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

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

(i) Waterworks Revenue Bonds of the Issuer, dated January 1, 1970 (the "1970 Bond") issued in the original principal amount of \$1,013,000 secured under the terms of the 1970 Ordinance (hereinafter defined);

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

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

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

With the exception of the Bonds described above, there are no other outstanding bonds or

obligations of the Issuer which will rank prior to or on a parity with the Bond as to lien, pledge and/or source of and security for payment.

G. The Issuer is not in default under the terms of the 1970 Ordinance, the 1974 Ordinance, the 1991 Ordinance and the 1993 Ordinance or any document in connection therewith, and has complied with all requirements of all the foregoing with respect to the issuance of parity bonds or has obtained a sufficient and valid waiver thereof.

H. The estimated revenues to be derived in each year from the operation of the System after completion of the Project will be sufficient to pay all the costs of the operation and maintenance of the System, the principal of and interest on the Bond (as hereinafter defined) and all debt service, reserve fund and other payments provided for herein.

I. The Issuer has complied with all requirements of West Virginia law relating to authorization of the construction, acquisition and operation of the Project and issuance of the Bond, or will have so complied prior to issuance of the Bond including, among other things, the imposition of rates and charges, the consent and approval, pursuant to the Act, of the issuance of the Bond by the Public Service Commission of West Virginia by final order.

J. It is in the best interests of the Issuer that the Bond be sold to the United States Department of Agriculture, Rural Utilities Service, acting on behalf of the Rural Utilities Service, successor in interest to the Farmers Home Administration (the "Purchaser" or "RUS"), pursuant to the terms and provisions of a letter of conditions dated October 27, 1994, and all amendments thereto (the "Letter of Conditions").

K. The Issuer has also made arrangements for interim financing as requested by RUS and deems it to be in the best interests of the Issuer to enter into a Credit Agreement and execute a note or notes in the initial amount of \$300,000 payable to any interim construction or financing lender which lender is initially First National Bank of Spencer.

Section 1.03. Ordinance to Constitute Contract. In consideration of the acceptance of the Bond by the Purchaser, this Ordinance (the "Ordinance") shall be deemed to be and shall constitute a contract between the Issuer and the Purchaser, and the covenants and agreements set forth herein to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owner of the Bond.

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

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

"1998 Bond", "1998 Series Bond" or "Bond" means the \$885,000, City of Spencer Water Revenue Bond, Series 1998, authorized by this ordinance.

"Bonds" means the Bond and the 1970 Bond, the ~~1974~~ Bond, the 1991 Bond and the 1993 Bond.

"1970 Bond" means the outstanding bond of the Issuer dated January 1, 1970, described in Section 1.02 F.(i) herein.

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

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

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

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

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

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

"Depository Bank" means initially the First National Bank of Spencer, Spencer, West Virginia, a bank or trust company which is a member of FDIC and its successors and assigns or such other qualified bank or trust company designated now or hereafter by Issuer.

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

"FDIC" means the Federal Deposit Insurance Corporation.

"Fiscal Year" means each year beginning on July 1 and ending on the succeeding June 30.

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

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

"Herein" means in this Ordinance.

"Holder of the Bond" or any similar term means any person who shall be the registered owner of the Bond.

"Issuer" or "City" means City of Spencer, Roane County, West Virginia, and, where appropriate, also means the Governing Body.

"Letter of Conditions" means the Letter of Conditions of Farmers Home Administration, now known as RUS, dated October 27, 1994, and any other amendments thereto.

"Mayor" means the Mayor of the Governing Body.

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

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

"Ordinance" means this Ordinance and all resolutions supplemental hereto.

"1970 Ordinance" means the ordinance providing for the 1970 Bond, adopted March 7, 1970.

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

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

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

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

"Purchaser", "RUS", "Rural Utilities Service", or "Government" means United States of America, United States Department of Agriculture, Rural Utilities Service, and any successor

thereof.

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

- (a) Government Obligations;
- (b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;
- (c) Bonds, debentures, notes or other evidence of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;
- (d) Any bond, debenture, note, participation certificate or other similar obligations issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;
- (e) Time accounts (including accounts evidenced by time certificates of deposit, time deposits or other similar banking arrangements) which, to the extent not insured by the FDIC or Federal Savings and Loan Insurance Corporation, shall be secured by a pledge of Government Obligations, provided, that said Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time accounts or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time accounts;
- (f) Money market funds or similar funds whose only assets are investments of the type described in paragraphs (a) through (e) above;
- (g) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (e) above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either must mature as nearly as practicable coincident with the maturity of said repurchase agreements or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said repurchase agreements, and provided further that the holder of such repurchase agreement shall have a prior perfected security interest in the collateral therefor, must have (or its agent must have) possession of such collateral, and such collateral must be free of all claims by third parties;

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

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

"Recorder" means the Recorder of the Governing Body.

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

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

"System" means the Project initially, and all existing water facilities owned by the Issuer and all Facilities and other property of every nature, real or personal, now or hereafter acquired and/or owned, held or used in connection with the System, including mains, hydrants, meters, valves, standpipes, storage tanks, pump tanks, pumping stations, intakes, wells, impounding reservoirs, pumps, machinery, purification plants, softening apparatus and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to a public water system; and shall also include any and all additions, extensions, improvements, replacements, properties or other facilities at any time acquired or constructed for said water system after completion of the Project.

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

Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations; words importing the masculine, feminine or neuter genders shall include any other gender; and any requirement for execution, sealing and/or attestation of the Bonds or any certificate or other document by the Recorder shall mean that such Bond certificate or other document may be executed, sealed and/or attested by an Acting Recorder.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized the acquisition and construction of the Project, at an estimated cost of \$1,500,000 in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Bond hereby authorized shall be applied as provided in Article V hereof.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUANCE OF BOND

Section 3.01. Authorization of Bond. Subject and pursuant to the provisions hereof, the Bond of the Issuer to be known as "City of Spencer, Water Revenue Bond, Series 1998" in the principal amount of \$885,000, is hereby authorized to be issued for the purpose of financing a portion of the cost of the construction and acquisition of the Project.

Section 3.02. Description of Bond. The Bond shall be issued as a single registered form, No. R-1, and shall be dated on the date of delivery. The Bond shall bear interest from date, payable monthly at a maximum rate of four and one half percent (4.50%) per annum or such lower rate that RUS, will make available at closing, and shall be sold for the par value thereof but in no event greater than four and one half percent (4.50%) per annum.

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

Section 3.03. Execution of Bond. The Bond shall be executed in the name of the Issuer by the Mayor and its corporate seal shall be affixed thereto and attested by the Recorder, and the Mayor and the Recorder are hereby authorized to execute the Bond and such other documents as are necessary to finalize this transaction. In case any one or more of the officers who shall have signed or sealed the Bond shall cease to be such officer of the Issuer before the Bond so signed and sealed have been actually sold and delivered, such Bond may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bond had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bond shall hold the proper office in the Issuer, although at the date of such Bond such person may not have held such office or may not have been so authorized.

Section 3.04. Negotiability, Registration, Transfer and Exchange of Bond. The Bond shall be and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, but the Bonds may only be transferred by transfer of the registration thereof upon the books required to be kept pursuant to Section 3.05 hereof, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Registrar. No interest in the Bond shall be transferable except by means of transfer of registration of a Bond representing such interest and delivery of a new Bond or Bonds in exchange therefor in accordance with this Bond Ordinance.

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

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

Section 3.05. Registrar. The Issuer shall be the Bond Registrar and will keep or cause to be kept by its agent at its office, sufficient books for the registration and transfer of the Bond, and upon presentation for such purpose, the Registrar shall, under such reasonable regulations as it may prescribe, register the Bond initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Bond as hereinbefore provided.

The Registrar shall accept the Bond for registration or transfer only if ownership thereof is to be registered in the name of an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or social security numbers of the settlor and beneficiaries of each trust and the name of the trustee of each trust and/or such other identifying number and information as may be required by law.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any of the Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his, her or its ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Bond so surrendered shall be canceled and held for the account of the Issuer. If the Bond shall have matured or be about to mature, instead of issuing a substitute Bond the Issuer may pay the same, and if such Bond be destroyed, stolen or lost, without surrender thereof.

Section 3.07. Bond Secured by Pledge of Revenues. The payment of the debt service of

the Bond shall be secured forthwith by a parity lien with the 1970 Bond, the 1974 Bond, the 1991 Bond and the 1993 Bond on the net revenues derived from the System in addition to the statutory mortgage lien on the System hereinafter provided for. The net revenues derived from the System in an amount sufficient to pay the principal of and interest on the Bond, and to make the payments as hereinafter provided, are hereby irrevocably pledged to the payment of the principal of and interest on the Bond as the same become due.

Section 3.08. Form of Bond. Subject to the provisions hereof, the text of the Bond and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted hereby or any supplemental resolution adopted after the date of adoption hereof and prior to the issuance thereof.

(FORM OF BOND) —
\$885,000
CITY OF SPENCER
WATER REVENUE BOND, SERIES 1998

No. R-1

Date: May __, 1998

FOR VALUE RECEIVED, the CITY OF SPENCER, a municipal corporation and political subdivision of the State of West Virginia, in Roane County of said State (herein called "Issuer"), hereby promises to pay to the order of the United States of America (the "Government"), or its registered assigns at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of Eight Hundred Eighty-Five Thousand and 00/100 Dollars (\$885,000.00), plus interest on the unpaid principal balance at the rate of four and one half percent (4.5%) per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing on the 30th day following delivery of the Bond and continuing on the corresponding day of each month for the first twenty-four (24) months after the date hereof, and \$4,063.00 covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of forty (40) years from the date of this Bond, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to the principal. Payments shall be made at the office of the Municipal Bond Commission, Charleston, West Virginia, and shall be mailed to the registered owner hereof at the address as it appears on the books of the Issuer in its capacity as Registrar. Provided, however, for so long as the Government remains the owner of this Bond, the Issuer shall remit payments directly to the Government or any agency or department thereof.

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

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

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

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

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

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of construction of improvements to a water system (the "System") of the Issuer, is payable solely from the revenues to be derived from the operation of the System after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Bond does not in any manner constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation.

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

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Article 19 of Chapter 8 of the West Virginia Code (herein called the "Act").

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

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

THIS BOND IS ON A PARITY AS TO LIEN AND SOURCE OF PAYMENT WITH THE WATERWORKS REVENUE BONDS, SERIES 1970, WATERWORKS SYSTEM BOND, SERIES 1974, WATER REVENUE BOND, SERIES 1991, AND WATER REVENUE BOND, SERIES 1993 OF THE ISSUER DESCRIBED IN THE ORDINANCE ADOPTED WITH RESPECT TO EACH SERIES.

The initial address of Government for purposes of bond registration is P.O. Box 678, Morgantown, WV 26505.

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

CITY OF SPENCER

(SEAL)

By: _____
Mayor
207 Court Street
Spencer, WV 25276

ATTEST:

By: _____
Recorder

(Form Of)

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$		(6) \$	
(2) \$		(7) \$	
(3) \$		(8) \$	
(4) \$		(9) \$	
(5) \$		(10) \$	

TOTAL \$ _____

(Form of Assignment)

ASSIGNMENT

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

DATED: _____

In the presence of:

ARTICLE IV

INTERIM CONSTRUCTION FINANCING

Section 4.01. Authorization and General Terms. In order to pay certain costs of the Project pending receipt of the gross proceeds of the Bond, the Issuer may issue and sell its Note or Notes (the "Notes"), in an aggregate principal amount not to exceed \$885,000. The Notes may be issued as evidence of a line of credit from a commercial bank or other lender, at the discretion of the Issuer, and as shall be set forth in a resolution supplemental hereto. The Notes shall bear interest from the date or dates, at such rate or rates, payable on such date or dates and shall mature on such date or dates and be subject to such prepayment or redemption, all as provided in the supplemental resolution.

Section 4.02. Terms of and Security for Notes. The Notes, if issued, shall be issued with such terms and secured in the manner set forth in a supplemental resolution.

Section 4.03. Notes are Special Obligations. The Notes shall be special obligations of the Issuer payable as to principal and interest solely from the proceeds of the Bond, grant proceeds, surplus revenues, letter of credit proceeds, if any, and other sources. The Notes do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions. The general funds of the Issuer are not liable and neither the full faith and credit nor the taxing power, if any, of the Issuer is pledged for the payment of the Notes. The holders of the Notes shall never have the right to compel the forfeiture of any property of the Issuer. The Notes shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except as set forth in the supplemental resolution.

Section 4.04. Execution of Documents. The Notes, Credit Agreement and any other documents required to be executed by the commercial bank or other lender shall be executed in the name of the Issuer by the Mayor, and the Mayor and Recorder are hereby authorized to execute any Note, Notes, Credit Agreement or any other documents necessary to secure the interim financing.

ARTICLE V

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

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created and established with (or continued if previously established by the 1970 Ordinance), and shall be held by the Depository Bank, separate, distinct and apart from all other funds or accounts of the Depository Bank and from each other:

- (1) Revenue Fund (established by the 1970 Ordinance and continued hereby);
- (2) Project Construction Account;
- (3) Operation and Maintenance Fund (established by the 1970 Ordinance and continued hereby); and
- (4) Depreciation Fund (established by the 1970 Ordinance and continued hereby).

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created and established with the Commission:

- (1) Series 1998 Bond Sinking Fund;
- (a) Within the Series 1998 Bond Sinking Fund, the Reserve Account.

Section 5.03. Bond Proceeds: Project Construction Account. All moneys received from the sale of the Bond shall be deposited upon receipt by the Issuer in the Depository Bank, a member of Federal Deposit Insurance Corporation (FDIC), in a special account hereby now established and designated as "City of Spencer Water System Construction Account (herein called the "Project Construction Account"). The moneys in the Project Construction Account in excess of the amount insured by FDIC shall be secured at all times by such bank by securities or in a manner lawful for the securing of deposits of state and municipal funds under West Virginia law. Moneys in the Project Construction Account shall be expended by the Issuer solely for the purposes provided herein.

Until completion of the construction of the Project, the Issuer will transfer from the Project Construction Account and pay to the Purchaser on or before the due date, such sums as shall be from time to time required to make the monthly installment payments on the Bond if there are not sufficient Net Revenues to make such monthly payment.

If the Issuer shall determine at any time that all funds on deposit in the Project Construction Account exceed the estimated disbursements on account of the Project for the ensuing ninety (90) days, the Issuer may invest such excess funds in Qualified Investments.

Pending application as provided in this Section 5.03, money and funds in the Project Construction Account shall be invested and reinvested at the direction of the Issuer, to the extent possible in accordance with applicable law, in Qualified Investments.

When construction of the Project has been completed and all costs thereof have been paid or provision for such payment has been made, any balance remaining in the Project Construction Account shall be promptly transmitted to the Commission with directions that such funds be used immediately to redeem or prepay the 1998 Bond from which construction account the funds derived.

Section 5.04. Covenants of the Issuer as to Revenues and Funds. So long as any of the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Series 1998 Bond Sinking Fund and the Reserve Account, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of the Bond remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the holder of the Bond as follows:

(A) Revenue Fund. The entire Gross Revenues derived from the operation of the System, and all parts thereof, and all Tap Fees received, shall be deposited as collected by the Issuer in a special fund in a bank or trust company in the State of West Virginia which is a member of FDIC, which Fund, known as the "Revenue Fund" originally established under the 1970 Ordinance and which is hereby continued hereunder with the Depository Bank. The Revenue Fund shall constitute a trust fund for the purposes provided herein and shall be kept separate and distinct from all other funds of the Issuer and used only for the purposes and in the manner provided herein.

(B) Disposition of Revenues. All Revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority:

(1) The Issuer shall first each month deposit sufficient moneys from the Revenue Fund into the Operation and Maintenance Fund to pay all current Operating Expenses.

(2) The Issuer shall next, each month, on or before the due date of payment of each installment on the Bonds, transfer from the Revenue Fund and deposit into the Series 1998 Bonds Sinking Fund, if the Bond is no longer owned by RUS, or remit to the holder of the Bond if still held by RUS at the address designated and/or the National Finance Office designated in the Bond (or such other place as may be provided pursuant to the Bond), the amount required to pay the interest on the Bonds, and to amortize the principal of the Bonds over the lives of each Bond issue. All payments with respect to principal of and interest the Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(3) The Issuer shall next, on each date that payment is made as set forth in (2) above, transfer from the Revenue Fund and remit to the Commission for deposit in the Reserve Account herein created 1/12th of 1/10th of the amount, as of the date of calculation, equal to the maximum aggregate amount of principal and interest which will become due on the Bonds in any year until the amount on deposit in the Reserve Account equals such maximum amount (the "Reserve Requirement"). After the Reserve Requirement has been accumulated in the Reserve Account, the Issuer shall monthly deposit into the Reserve Account such part of the moneys remaining in the Revenue Fund, after such provision for payment of monthly installments on the Bonds and for payment of Operating Expenses of the System, as shall be required to maintain the Reserve Requirement. Moneys in the Reserve Account shall be used solely to make up any deficiency in monthly payments of the principal of and interest on the Bonds as the same shall become due or

for prepayment of installments on the Bonds, or for mandatory prepayment of the Bonds as hereinafter provided, and for no other purpose, on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(4) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, moneys remaining therein and not permitted to be retained therein, if any ("Surplus Revenues"), may be used to prepay installments of the Bonds, pro rata, or for any lawful purpose.

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

The Commission is hereby designated as the Fiscal Agent for the administration of the Series 1998 Bond Sinking Fund and the Reserve Account, and the Depository Bank is hereby designated as the Fiscal Agent for the administration of the other accounts, herein provided, and all amounts required for the Reserve Account and the other accounts will be deposited therein by the Issuer upon transfers of funds from the Revenue Fund at the times provided herein, together with written advice stating the amount remitted for deposit into each such fund.

All the funds provided for in this Section shall constitute trust funds and shall be used only for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien thereon for further securing payment of the Bonds and the interest thereon, but the Commission and the Depository Bank shall not be a trustee as to such funds.

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

The Commission and the Depository Bank, at the direction of the Issuer, shall keep the moneys in the Reserve Account and the Depreciation Fund, respectively, invested and reinvested to the fullest extent possible in accordance with applicable law, and to the extent practicable, in Qualified Investments having maturities consonant with the required use thereof. Investments in any fund or account under this Bond Ordinance shall, unless otherwise provided herein or required by law, be valued at the lower of cost or the then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held by the "consolidated fund" managed by the West Virginia State Board of Investments. Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account.

(C) Change of Depository Agent and Fiscal Agent. The Issuer may designate another bank or trust company insured by FDIC as Fiscal Agent and Depository Bank if the aforesaid Bank should cease for any reason to serve or if the Governing Body determines by ordinance that said Bank or its successor should no longer serve as Fiscal Agent or Depository Bank. Upon any such change, the Governing Body will cause notice of the change to be sent by registered or certified mail to the Purchaser.

(D) User Contracts. The Issuer shall, prior to delivery of the Bond, provide evidence that there will be 1,917 bona fide users of the proposed System when the extension of the System is completed and placed in operation and must obtain user agreements and the user contribution from each new user and deposit in the Project Construction Account all such new user contributions collected.

(E) Charges and Fees. The Issuer shall remit from the Revenue Fund to the Commission and to the Depository Bank such additional sums as shall be necessary to pay the charges and fees of the Commission and the Depository Bank then due.

(F) Investment of Excess Balances. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in any of such funds or accounts shall at all times be secured, to the full extent thereof in excess of such insured sum, in a lawful manner for securing deposits of state and municipal funds under the laws of the State.

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

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

ARTICLE VI

GENERAL COVENANTS

Section 6.01. General Statement. So long as the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Reserve Account a sum sufficient to prepay the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the Issuer and the Purchaser.

Section 6.02. Rates. The Issuer will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide revenues in each fiscal year sufficient to produce net revenues equal to not less than one hundred ten percent (110%) percent of the annual debt service on the Bond and to make the payments required herein into the Reserve

Account and the Depreciation Fund and all the necessary expenses of operating and maintaining the System during such fiscal year and such rates, fees and other charges shall not be reduced so as to be insufficient to provide adequate revenues for such purposes.

Section 6.03. Sale of the System. The System will not be sold without the prior written consent of the Purchaser so long as the Bonds are outstanding. Such consent will provide for disposition of the proceeds of any such sale.

Section 6.04. Issuance of Additional Parity Bonds or Obligations. No additional parity bonds or obligations payable out of the revenues of the System or any part thereof shall be issued after the issuance of the Bond pursuant hereto except with the prior written consent of the Purchaser or the then holder of or Trustee or agent for the holders of the Bonds.

Section 6.05. Insurance and Bond. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System, procure, carry and maintain, so long as the Bond remains outstanding, insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

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

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

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

(d) Workers' Compensation Coverage for all Employees of the City Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of one hundred percent (100%) of the construction contract, will be required of each prime contractor, and such payment

bonds will be filed with the Clerk of the County Commission of Roane County prior to commencement of construction of the Project in compliance with West Virginia Code Section 38-2-39. Workers' compensation insurance will be maintained as required by the laws of the State of West Virginia.

(e) Fidelity Bonds will be provided as to every member of the Governing Body and every officer and employee of the City having custody of the Revenue Fund or of any revenues or other funds of the System in an amount at least equal to the total annual debt service requirements for all outstanding RUS loans.

(f) Flood Insurance to be procured, to the extent available at reasonable cost to the Issuer.

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

Section 6.06. Statutory Mortgage. For the further protection of the holders of the Bond, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding and shall take effect immediately upon delivery of the Bonds.

Section 6.07. Events of Default. Each of the following events is hereby declared an "Event of Default":

(A) Failure to make payment of any monthly amortization installment at the date specified for payment thereof and/or;

(B) Failure duly and punctually to observe or perform any of the covenants, conditions and agreements on the part of the Issuer contained in the Bond or herein, or violation of or failure to observe any provision of any pertinent law or of this Bond Ordinance.

Section 6.08. Enforcement. Upon the happening of any Event of Default specified above, then, and in every such case, the Purchaser may proceed to protect and enforce its rights by an appropriate action in any court of competent jurisdiction, either for the specific performance of any covenant or agreement, or execution of any power, or for the enforcement of any proper legal or equitable remedy as shall be deemed most effectual to protect and enforce such rights and shall have all rights prescribed by the Act, W.Va. Code and other applicable law.

Upon application by the Purchaser, such court may, upon proof of such default, appoint a receiver for the affairs of the Issuer and the System. The Receiver so appointed shall administer

the System on behalf of the Issuer, shall exercise all the rights and powers of the Issuer with respect to the System, shall proceed under the direction of the court to obtain authorization to increase rates and charges of the System, and shall have the power to collect and receive all revenues and apply the same in such manner as the court may direct.

Section 6.09. Fiscal Year; Budget. While the Bond is outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a fiscal year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than thirty (30) days prior to the beginning of each fiscal year, the Issuer agrees to adopt an Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such fiscal year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each fiscal year.

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

Section 6.10. Compensation of Members of Governing Body. The Issuer hereby covenants and agrees that no compensation for policy direction shall be paid to the members of the Governing Body in excess of the amount permitted by the Act. Payment of any compensation to any such member for policy direction shall not be made if such payment would cause the Net Revenues to fall below the amount required to meet all payments provided for herein, nor when there is default in the performance of or compliance with any covenant or provision hereof.

Section 6.11. Covenant to Proceed and Complete. The Issuer hereby covenants to proceed as promptly as possible with the construction of the Project to completion thereof in accordance with the plans and specifications prepared by the Consulting Engineer and on file with the Recorder on the date of adoption hereof, subject to permitted changes.

Section 6.12. Books and Records; Audits. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and the Purchaser shall have the right at all reasonable times to inspect the System and all records, accounts and data of the Issuer relating thereto.

The Issuer shall, at least once a year, cause said books, records and accounts of the System to be properly audited by an independent competent firm of certified public accountants

and shall mail a copy of such audit report to the Purchaser. The Issuer further covenants to comply with the Act with respect to such books, records and accounts.

Section 6.13. Maintenance of System. The Issuer covenants that it will continuously operate, in an economical and efficient manner, and maintain the System as a revenue-producing utility as herein provided so long as the Bonds are outstanding.

Section 6.14. No Competition. To the extent legally allowable, the Issuer will not permit competition with the System within its boundaries or within the territory served by it and will not grant or cause, consent to or allow the granting of any franchise, permit or other authorization for any person, firm, corporation, public or private body, agency or instrumentality whatsoever to provide any of the services supplied by the System within the boundaries of the Issuer or within the territory served by the System.

Section 6.15. Tax Covenants as to Tax Exempt Status of Bonds.

1. The Issuer covenants that (a) it shall not permit or cause to be done any act or thing which would result in the loss of exemption from tax of interest on the Bond under Section 103(a) of the Internal Revenue Code and the regulations thereunder, or under any successor or similar provision of the Internal Revenue Code hereinafter enacted and applicable to the Bond and regulations thereunder; (b) it shall not invest or otherwise use or permit or cause to be invested or used, any of the proceeds of the Bond, or moneys deemed to be proceeds of the Bond under the Internal Revenue Code, directly or indirectly, in any manner which would result in such Bonds being classified as an "arbitrage bond" within the meaning of Section 148 of the Internal Revenue Service Code or regulations thereunder, and each shall comply with the requirements of such Section and (c) no part of the proceeds of the Bond or any funds held under the Ordinance shall at any time be used directly or indirectly for any purpose for which would cause the Bond to be subject to treatment as a "private activity bond" under the Internal Revenue Code or regulations thereunder and to that end the Issuer will comply with the applicable law as long as the Bond is outstanding.

2. The Issuer hereby further covenants and agrees as follows:

A. **PRIVATE BUSINESS USE LIMITATION.** The Issuer shall assure that (i) not in excess of ten percent (10%) of the Net Proceeds of the Bond are used for private business use if, in addition, the payment of more than ten percent (10%) of the principal or ten percent (10%) of the interest due on the Bond during the term thereof is, under the terms of the Bond or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a private business use or in payments in respect of property used or to be used for a private business use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a private business use, and that (ii) in the event that both (A) in excess of five percent (5%) of the Net Proceeds of the Bonds are used for a private business use, and (B) an amount in excess of five percent (5%) of the principal or five percent (5%) of the interest due on the Bond during the term thereof is, under the terms of the

Bond or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said private business use or in payments in respect of property used or to be used for the Issuer, in respect of property or borrowed money used or to be used for said private business use, then said excess over said five percent (5%) of Net Proceeds of the Bonds used for a private business use shall be used for a Private Business Use related to the governmental use of the Project, or if the Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of that portion of the Project to which such private business use is related.

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

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

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

E. FURTHER ACTIONS. The Issuer will take any and all actions that may be required of it (including those deemed necessary by the Holder) so that the interest on the Bond will be and remain excludable from gross income for federal income tax purposes, and will not take any actions, or fail to take any actions (including those determined by the Holder) which would adversely affect such exclusion.

ARTICLE VII

RATES, RULES, COVENANTS, ETC.

Section 7.01. Initial Schedule of Rates and Charges.

A. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in a Tariff on file with the Public Service Commission effective August 5, 1996, which Tariff is incorporated herein by reference and is made a part hereof.

B. The Issuer hereby modifies and enacts to the extent necessary the rates and charges as set out in the above-referenced order and to be included on a tariff sheet to be filed with the Public Service Commission which rates and conditions are as follows:

RATE I (LOW LEVEL)

Applicable throughout entire service territory except such territories as served through Booster Stations.

Availability of Service

Available for general domestic, commercial, industrial service.

Rate

First 2,000 gallons used per month -\$4.24 per 1,000 gallons
Next 3,000 gallons used per month -\$4.09 per 1,000 gallons
Next 25,000 gallons used per month -\$3.36 per 1,000 gallons
Next 70,000 gallons used per month -\$1.36 per 1,000 gallons
All
Over 100,000 gallons used per month -\$1.23 per 1,000 gallons

Minimum Charge

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

5/8 inch meter or less	\$ 8.48 per month
3/4 inch meter	\$ 12.71 per month
1 inch meter	\$ 21.20 per month
1-1/4 inch meter	\$ 30.94 per month
1-1/2 inch meter	\$ 42.41 per month
2 inch meter	\$ 67.83 per month
3 inch meter	\$127.22 per month
4 inch meter	\$212.04 per month
6 inch meter	\$424.08 per month
8 inch meter	\$678.53 per month

Delayed Payment Charge

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

Service Connection Fee (Tap Fee)

Three hundred sixty-four dollars (\$364.00).

Reconnection Charge

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

RATE II (BOOSTER LEVEL)

Applicable to territory served by Spencer Plant through Booster Stations.

Availability of Service

Available for general domestic, commercial, industrial service.

Rate

First	2,000	gallons used per month	-\$4.66 per 1,000 gallons
Next	3,000	gallons used per month	-\$4.54 per 1,000 gallons
Next	25,000	gallons used per month	-\$3.70 per 1,000 gallons
Next	70,000	gallons used per month	-\$1.50 per 1,000 gallons
All			
	Over 100,000	gallons used per month	-\$1.35 per 1,000 gallons

Minimum Charge

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

5/8 inch meter or less	\$ 9.32 per month
3/4 inch meter	\$ 14.01 per month
1 inch meter	\$ 23.31 per month
1-1/4 inch meter	\$ 34.04 per month
1-1/2 inch meter	\$ 46.62 per month
2 inch meter	\$ 74.59 per month
3 inch meter	\$139.87 per month
4 inch meter	\$233.12 per month
6 inch meter	\$466.24 per month
8 inch meter	\$745.98 per month

Delayed Payment Charge

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

Service Connection Fee (Tap Fee)

Three hundred sixty-four dollars (\$364.00).

Reconnection Charge

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

RATE III (RIPLEY ROAD LOW LEVEL AND ROUTE 119)

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

Availability of Service

Available for general domestic, commercial, industrial service.

Rate

First	2,000	gallons used per month	-\$8.56 per 1,000 gallons
Next	3,000	gallons used per month	-\$8.31 per 1,000 gallons
Next	25,000	gallons used per month	-\$7.81 per 1,000 gallons
Next	70,000	gallons used per month	-\$2.73 per 1,000 gallons
All			
	Over 100,000	gallons used per month	-\$2.46 per 1,000 gallons

Minimum Charge

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

5/8 inch meter or less	\$ 17.11 per month
3/4 inch meter	\$ 25.67 per month
1 inch meter	\$ 42.78 per month
2 inch meter	\$136.88 per month
3 inch meter	\$256.65 per month

Delayed Payment Charge

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

considered delinquent any sooner than thirty (30) days from the billing date.

Service Connection Fee (Tap Fee)

Three hundred sixty-four dollars (\$364.00).

Reconnection Charge

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

RATE IV (RIPLEY ROAD PROJECT BOOSTER LEVEL)

Applicable throughout U.S. Route 33 West, Steel Hollow Road, Nancy's Run Road and Colt Ridge Road served by Spencer Plant through Booster Stations.

Availability of Service

Available for general domestic, commercial, industrial service.

Rate

First	2,000	gallons used per month	-\$9.42 per 1,000 gallons
Next	3,000	gallons used per month	-\$9.18 per 1,000 gallons
Next	25,000	gallons used per month	-\$8.37 per 1,000 gallons
Next	70,000	gallons used per month	-\$3.04 per 1,000 gallons
All			
	Over 100,000	gallons used per month	- \$2.70 per 1,000 gallons

Minimum Charge

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

5/8 inch meter or less	\$ 18.84 per month
3/4 inch meter	\$ 28.26 per month
1 inch meter	\$ 47.10 per month
2 inch meter	\$150.72 per month
3 inch meter	\$282.60 per month

Delayed Payment Charge

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

considered delinquent any sooner than thirty (30) days from the billing date.

Service Connection Fee (Tap Fee)

Three hundred sixty-four dollars (\$364.00).

Reconnection Charge

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

PRIVATE FIRE PROTECTION SERVICE

Applicable in entire territory served by the Spencer Plant.

Availability of Service

Available for private fire protection service.

Rate

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

2 inch Service Line with hydrants, sprinklers and/or hose connections - \$3.06 per month
3 inch Service Line with hydrants, sprinklers and/or hose connections - \$3.68 per month
4 inch Service Line with hydrants, sprinklers and/or hose connections - \$4.91 per month
6 inch Service Line with hydrants, sprinklers and/or hose connections - \$11.04 per month
8 inch Service Line with hydrants, sprinklers and/or hose connections - \$19.62 per month
10 inch Service Line with hydrants, sprinklers and/or hose connections - \$30.65 per month
12 inch Service Line with hydrants, sprinklers and/or hose connections - \$44.14 per month

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

Each fire hydrant-----\$12.77 per month

These terms are payable monthly in advance

Prompt Payment Discount

The above schedule is subject to a discount of five percent (5%) if accounts are paid in full at the office of the City on or before twenty (20) days from date of bill.

Section 7.02. Further Covenants

The Issuer hereby further covenants and agrees as follows:

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

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

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

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

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

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Defeasance of Bond. If the Issuer shall pay or there shall otherwise be paid, to the Holder of the Bond, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Ordinance, then with respect to the Bond, the pledge of Net Revenues and other moneys and securities pledged under this Bond Ordinance and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Bond, shall thereupon cease, terminate and become void and be discharged and satisfied.

Section 8.02. Filing Under Uniform Commercial Code. Contemporaneously with the delivery of the Bond, the Issuer shall execute Financing Statements meeting the requirements of the Uniform Commercial Code of West Virginia and promptly thereafter shall file such Financing Statements in the offices of the Secretary of State of West Virginia and of the Clerk of the County Commission of Roane County.

Section 8.03. Delivery of Bond. The Mayor and Recorder of the Governing Body are hereby authorized and directed to cause the Series 1998 Bond, numbered R-1, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

Section 8.04. Severability of Invalid Provision. If any one or more of the covenants, agreements or provisions hereof should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions hereof, and shall in no way affect the validity of all the other provisions hereof or the Bonds.

Section 8.05. Conflicting Provisions Repealed. All ordinances and orders, or parts thereof, in conflict with the provisions hereof are, to the extent of such conflicts, hereby repealed; provided that this Section shall not be applicable to the Loan Ordinance (Form FmHA 442-47).

Section 8.06. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 8.07. Modification or Amendment. The Bond Ordinance may not be modified or amended in any material manner after final passage without the prior written consent of the Purchaser and/or holder of the Bond.

Section 8.08. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Ordinance do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State applicable thereto; and that the Mayor, Recorder and members of the Governing Body were at all times when any actions in connection with this Ordinance occurred and are duly in office and duly qualified for such office.

Section 8.09. Supplemental Resolutions. The Issuer may pass such supplemental resolutions, if necessary, to effectuate the purposes and intent of this Ordinance.

Section 8.10. Effective Time. This Ordinance shall take effect immediately upon its adoption.

Section 8.11 Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Bond Ordinance determined by the Governing Body to contain sufficient information as to give notice of the contents hereof shall be published once a week for two (2) successive weeks within a period of ten (10) consecutive days, with at least six (6) full days intervening between each publication, in a qualified newspaper published and of general circulation in the City of

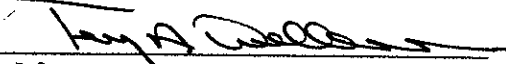
Spencer, together with a notice stating that this Bond Ordinance has been adopted and that the Issuer contemplates the issuance of the Bond, and that any person interested may appear before the City Council upon a date certain, not less than ten (10) days subsequent to the date of the first publication of such abstract of this Bond Ordinance and notice, and present protests, and that a certified copy of the Ordinance is on file with the Governing Body for review by interested persons during office hours of the Governing Body. At such hearing, all objections and suggestions shall be heard, and the Governing Body shall take such action as it shall deem proper in the premises.

Passed on First Reading – April 30, 1998.

Passed on Second Reading – May 7, 1998.

Passed on Final Reading
Following Public Hearing – June 4, 1998.

CITY OF SPENCER

By: 

Mayor

[SEAL]

Attest:

By: 

Recorder

CERTIFICATION —

I, David Bowen, Recorder of the City of Spencer, hereby certify that the foregoing is a true and correct copy of an Ordinance approved on second reading at a meeting of the City Council of the City of Spencer held on May 7, 1998, and considered at a public hearing held on June 4, 1998. I further hereby certify that the action of said City Council set forth therein remains in full force and effect and has not been amended or repealed.

WITNESS my signature on this 5th day of June 1998.

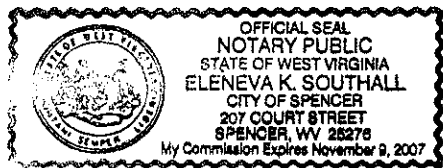

Recorder

STATE OF WEST VIRGINIA,

COUNTY OF ROANE, to-wit:

The foregoing instrument was acknowledged before me this 5th day of June, 1998, by Terry A. Williams, the Mayor of the City of Spencer, a municipal corporation and a political subdivision of the State of West Virginia, on behalf of said municipality.

My commission expires November 9 2007



Eleneva K. Southall
NOTARY PUBLIC

\$885,000
CITY OF SPENCER
WATER REVENUE BOND, SERIES 1998

ABSTRACT OF MINUTES ON FIRST READING OF BOND ORDINANCE

I, David Bowen, Recorder of the City of Spencer (the "Issuer"), hereby certify that the following is a true and correct excerpt of the minutes of a meeting of the City Council of the Issuer:

The City Council of the Issuer met in Special Session, pursuant to notice duly given, on April 30, 1998, at Spencer, West Virginia, at 4:00 p.m.

Present were Mayor Terry A. Williams; Recorder David Bowen; and Council Members Elsie Daugherty, David Bowen, Patrick Lance, Kimberly Frum, and James Starcher. No members were absent.

Mayor Terry A. Williams presided, and David Bowen acted as Recorder.

The Mayor announced that a quorum of Council was present and that the meeting was open for any business properly before it. He stated that the proposed Bond Ordinance should be considered on first reading.

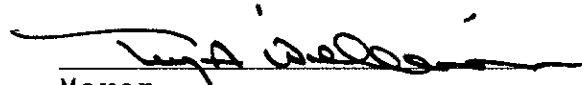
The Mayor thereupon stated that it would be in order to consider said Bond Ordinance on first reading, and the Mayor presented said Bond Ordinance in writing entitled:

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF MUNICIPAL PROPERTIES AND ISSUANCE OF PARITY TAXABLE WATER REVENUE BOND, SERIES 1998, OF THE CITY OF SPENCER, IN THE AMOUNT OF \$885,000, TO FINANCE THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS TO A PUBLIC WATER SYSTEM; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BOND; PROVIDING FOR INTERIM CONSTRUCTION FINANCING; PLACING LIMIT ON SALE OF SYSTEM; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES AND SECURITY OF THE HOLDER OF THE BOND; PROVIDING STATUTORY LIEN ON REVENUES AND SYSTEM; PROVIDING FOR THE ADOPTION, RATIFICATION, APPROVAL AND COLLECTION OF RATES AND CHARGES FOR THE PUBLIC WATER SYSTEM; AND PROVIDING GENERAL TERMS AND PROVIDING WHEN THIS ORDINANCE SHALL TAKE EFFECT.

and caused the same to be read and there was discussion. Thereupon, on motion of Elsie Daugherty and seconded by James Starcher, it was unanimously ordered that said Bond Ordinance be approved on first reading.

There being no further business to come before the meeting, the meeting was declared adjourned.


Recorder


Mayor

I further hereby certify that the foregoing action of said City Council remains in full force and effect and has not been amended, rescinded, superseded, repealed or changed.

WITNESS my signature on this 5 day of June 1998.


Recorder

\$885,000
CITY OF SPENCER
WATER REVENUE BOND, SERIES 1998

ABSTRACT OF MINUTES ON SECOND READING OF BOND ORDINANCE

I, David Bowen, Recorder of the City of Spencer (the "Issuer"), hereby certify that the following is a true and correct excerpt of the minutes of a meeting of the City Council of the Issuer:

The City Council of the Issuer met in Regular Session, pursuant to notice duly given, on May 07, 1998, at Spencer, West Virginia, at 6:00 p.m.

Present were Mayor Terry A. Williams; Recorder David Bowen; and Council Members Elsie Daugherty, David Bowen, Patrick Lance, Kimberly Frum, and James Starcher. No members were absent.

Mayor Terry A. Williams presided, and David Bowen acted as Recorder.

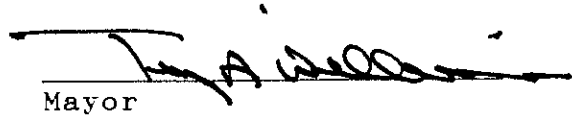
The Mayor announced that a quorum of Council was present and that the meeting was open for any business properly before it. He stated that the proposed Bond Ordinance should be considered on second reading.

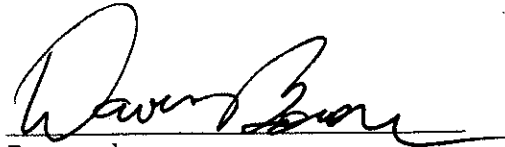
The Mayor thereupon stated that it would be in order to consider said Bond Ordinance on second reading, and the Mayor presented said Bond Ordinance in writing entitled:

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF MUNICIPAL PROPERTIES AND ISSUANCE OF PARITY TAXABLE WATER REVENUE BOND, SERIES 1998, OF THE CITY OF SPENCER, IN THE AMOUNT OF \$885,000, TO FINANCE THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS TO A PUBLIC WATER SYSTEM; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BOND; PROVIDING FOR INTERIM CONSTRUCTION FINANCING; PLACING LIMIT ON SALE OF SYSTEM; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES AND SECURITY OF THE HOLDER OF THE BOND; PROVIDING STATUTORY LIEN ON REVENUES AND SYSTEM; PROVIDING FOR THE ADOPTION, RATIFICATION, APPROVAL AND COLLECTION OF RATES AND CHARGES FOR THE PUBLIC WATER SYSTEM; AND PROVIDING GENERAL TERMS AND PROVIDING WHEN THIS ORDINANCE SHALL TAKE EFFECT.

and caused the same to be read and there was discussion. Thereupon, on motion of David Bowen and seconded by Patrick Lance, it was unanimously ordered that said Bond Ordinance be approved on second reading, with a public hearing thereon to be scheduled, advertised and conducted.

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


Mayor


Recorder

I further hereby certify that the foregoing action of said City Council remains in full force and effect and has not been amended, rescinded, superseded, repealed or changed.

WITNESS my signature on this 5 day of June 1998.


Recorder

\$885,000
CITY OF SPENCER
WATER REVENUE BOND, SERIES 1998

ABSTRACT OF MINUTES ON ENACTMENT OF BOND ORDINANCE
FOLLOWING PUBLIC HEARING

I, David Bowen, Recorder of the City of Spencer (the "Issuer"), hereby certify that the following is a true and correct excerpt of the minutes of a Public Hearing of the City Council of the Issuer:

The City Council of the Issuer conducted a Public Hearing, pursuant to notice duly given, on June 4, 1998, at Spencer, West Virginia, at 6:00 p.m.

Present were Mayor Terry A. Williams; Recorder David Bowen; and Council Members Elsie Daugherty, David Bowen, Patrick Lance, Kimberly Frum, and James Starcher. No members were absent.

Mayor Terry A. Williams presided, and David Bowen acted as Recorder.

The Mayor announced that a quorum of Council was present and that the meeting was open for any business properly before it. He stated that the proposed Bond Ordinance heretofore passed on first and second readings would be subject to protests and suggestions from any interested person at this time in accordance with the publication of an abstract of said Bond Ordinance and Notice of Public Hearing which publication has been duly made and the Mayor called for protests and suggestions as to said Bond Ordinance and all persons desiring to protest said Bond Ordinance or to make any suggestions with reference thereto were heard.

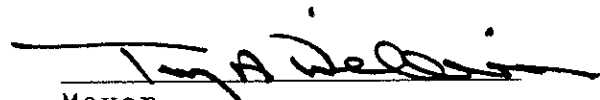
There being no protests or suggestions made as to said Bond Ordinance, the Mayor thereupon stated that it would be in order to consider said Bond Ordinance for final enactment, and the Mayor presented said Bond Ordinance in writing entitled:

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF MUNICIPAL PROPERTIES AND ISSUANCE OF PARITY TAXABLE WATER REVENUE BOND, SERIES 1998, OF THE CITY OF SPENCER, IN THE AMOUNT OF \$885,000, TO FINANCE THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS TO A PUBLIC WATER SYSTEM; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BOND; PROVIDING FOR INTERIM CONSTRUCTION FINANCING; PLACING LIMIT ON SALE OF SYSTEM; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES AND SECURITY OF THE HOLDER OF THE

BOND; PROVIDING STATUTORY LIEN ON REVENUES AND SYSTEM;
PROVIDING FOR THE ADOPTION, RATIFICATION, APPROVAL AND
COLLECTION OF RATES AND CHARGES FOR THE PUBLIC WATER
SYSTEM; AND PROVIDING GENERAL TERMS AND PROVIDING WHEN
THIS ORDINANCE SHALL TAKE EFFECT.

and caused the same to be read and there was discussion.
Thereupon, on motion of David Bowen and seconded by Elsie
Daugherty, it was unanimously ordered that said Bond
Ordinance be finally enacted and be in full force and
effect on and from the date hereof.

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


Mayor


Recorder

I further hereby certify that the foregoing action of said
City Council remains in full force and effect and has not
been amended, rescinded, superseded, repealed or changed.

WITNESS my signature on this 5 day of June 1998.


Recorder

\$885,000
CITY OF SPENCER
WATER REVENUE BOND, SERIES 1998

No. R-1

Date: June 5, 1998

FOR VALUE RECEIVED, the CITY OF SPENCER, a municipal corporation and political subdivision of the State of West Virginia, in Roane County of said State (herein called "Issuer"), hereby promises to pay to the order of the United States of America (the "Government"), or its registered assigns at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of Eight Hundred Eighty-Five Thousand and no/100 Dollars (\$885,000.00), plus interest on the unpaid principal balance at the rate of four and one half percent (4.5%) per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing on the 30th day following delivery of the Bond and continuing on the corresponding day of each month for the first twenty-four (24) months after the date hereof, and \$4,063.00 covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of forty (40) years from the date of this Bond, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

Every payment made on any indebtedness evidenced by this Bond shall be applied first to interest computed to the effective date of the payment and then to the principal. Payments shall be made at the office of the Municipal Bond Commission, Charleston, West Virginia, and shall be mailed to the registered owner hereof at the address as it appears on the books of the Issuer in its capacity as Registrar. Provided, however, for so long as the Government remains the owner of this Bond, the Issuer shall remit payments directly to the Government or any agency or department thereof.

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

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

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

SPECIMEN

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

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

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of construction of improvements to a water system (the "System") of the Issuer, is payable solely from the revenues to be derived from the operation of the System after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Bond does not in any manner constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation.

SPECIMEN

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

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

This Bond has been issued under and in full compliance with the Constitution and statutes

of the State of West Virginia, including, among others, Article 19 of Chapter 8 of the West Virginia Code (herein called the "Act").

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

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

SPECIMEN
THIS BOND IS ON A PARITY AS TO LIEN AND SOURCE OF PAYMENT WITH THE WATERWORKS REVENUE BONDS, SERIES 1970, WATERWORKS SYSTEM BOND, SERIES 1974, WATER REVENUE BOND, SERIES 1991, AND WATER REVENUE BOND, SERIES 1993 OF THE ISSUER DESCRIBED IN THE RESOLUTIONS ISSUED WITH RESPECT TO EACH SERIES.

The initial address of Government for purposes of bond registration is Federal Building, Room 320, 75 High Street, Morgantown, WV 26505-7500.

This Bond will be in default should any proceeds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as set for in Exhibit M of subpart G of Part 1040 of Title 7 of the Code of Federal Regulations, as amended.

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

(SEAL)

CITY OF SPENCER

By _____
Mayor
SPECIMEN
207 Court Street
Spencer, WV 25276

ATTEST:

By: _____
Recorder

(Form Of)

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$		(6) \$	
(2) \$		(7) \$	
(3) \$		(8) \$	
(4) \$		(9) \$	
(5) \$		(10) \$	

SPECIMEN

TOTAL \$ _____

(Form of Assignment)

ASSIGNMENT

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

DATED: _____

In the presence of:

HEDGES, JONES, WHITTIER AND HEDGES

ATTORNEYS AT LAW

SPENCER, WEST VIRGINIA 25276

GROVER F. HEDGES (1885-1955)

G. F. HEDGES, JR. (1914-1986)

ORTON A. JONES

THOMAS N. WHITTIER

CHRISTINE M. HEDGES

POST OFFICE BOX 7

AREA CODE 304

927-3790

FAX 927-1082

June 5, 1998

Rural Utilities Service
P.O. Box 303
Parkersburg, West Virginia 26102

City of Spencer
207 Court Street
Spencer, West Virginia 25276

Re: \$885,000 City of Spencer Water Revenue Bond,
Series 1998

Gentlemen:

As attorney for the City of Spencer, Roane County, West Virginia (the "City"), we have examined the record of proceedings relating to the issue of the City of Spencer, Water Revenue Bond, Series 1998 (the "Bond") and have considered the validity of the bond issue. In this connection we have examined and are familiar with the constitution and statutes of the State of West Virginia, including Chapter 8, Article 19 of the Code of West Virginia of 1931, as amended, the City's Charter, related minutes and a certified copy of the Ordinance passed by the City (the "Ordinance"), a copy of the certificate of convenience and public necessity issued by the West Virginia Public Service Commission, the water rates necessary to pay for the Bond as described in the Ordinance, copies of contracts and other documents relating to the funding and approval for the project by the City, including, but not limited, to the construction contract, plans and specifications, and other documents relating to the project, the letter of conditions forwarded by the Farmers Home Administration (now known as Rural Utilities Service) to the City, the existing 1970, 1974, 1991 and 1993 Bonds and Ordinances and other documents incidental and material to the issuance by the City of the Bond. From such familiarity and examination, we are of the opinion as follows:

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

2. The City, through City Council (the "Council"), has legally and effectively enacted the Ordinance and has duly authorized the issuance and delivery of the Bond to the Rural Utilities Service, and the Mayor of the City is duly and lawfully entitled to and authorized to execute the Bond.

3. The Mayor, Recorder and members of the Council have been duly elected or appointed and have fulfilled all requirements necessary to carry on their duties as provided under the Act.

4. The Bond constitutes a valid and legally enforceable special obligation of the City secured by and payable solely from a parity lien on and pledge of the net revenue of the System as described in the Ordinance, all in accordance with the terms of the Bond and the Ordinance, subject to and on a parity with the 1970, 1974, 1991 and 1993 Bonds as such Bonds are described in the Bond Ordinance. The holders of such Bonds have consented to the issuance of the parity 1998 Bond.

5. The City, through its Council, has legally and effectively enacted the water rates necessary to make the payments on the Bond from the rates described in the Ordinance, and it has lawfully enacted and has filed a tariff which has been approved by the West Virginia Public Service Commission for the water rates that are described within the Ordinance, which rates are not subject to appeal or protest.

6. The City has obtained from the West Virginia Public Service Commission a valid, final and non-appealable certificate of convenience and necessity in Case No. 96-0377-W-CN which lawfully authorizes the City to proceed with the expansion, construction and maintenance of the City's Water System and approves the issuance of the Bond.

7. The City, through its Council, has legally and effectively enacted all other ordinances, contracts and agreements that are necessary to comply with the letter of conditions previously forwarded and conditions required therein and has complied with all necessary provisions of the Ordinance necessary before the Bond may be issued and delivered and so that the Bond can, in fact, be lawfully issued and delivered.

8. The execution and delivery of the Bond and the enactment of the Ordinance and compliance with the provisions of them will not conflict with nor constitute a breach of or default under any agreement or other instrument known to us to which the City is a part, or any court order or consent decree known to us to which the City is subject, or any law or administrative regulation to which the City is subject.

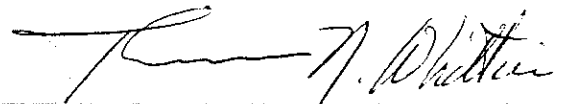
9. All authorization, consents, approvals and reviews by governmental bodies or regulatory authorities then required for the City's adoption, execution or performance of the Bond and the Ordinance have been obtained or affected, and we have no reason to believe that the City will be unable to obtain or affect any additional such authorizations, consents or approvals that may be required in the future for performances of any of them by the City.

10. To our knowledge, there is no action, suit, proceeding or investigation at law or in equity by any court, public board or body, pending or threatened against or affecting the City or any member of the Council, and no facts exist relating to the composition of the Council or the exercise of their duties, wherein an unfavorable decision, ruling or finding would have a materially adverse effect upon the validity of the Bond or the Ordinance.

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

The foregoing opinion is qualified to the extent that the enforceability of the liens, pledges and terms set forth in the Bond and in the Bond Ordinance may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally.

Very truly yours,

A handwritten signature in dark ink, appearing to read "T. N. Whittier", is written over a horizontal line.

Thomas N. Whittier

TNW/lw

LAW OFFICES
GOODWIN & GOODWIN, LLP
P. O. BOX 2107
1500 ONE VALLEY SQUARE
CHARLESTON, WEST VIRGINIA 25328-2107
304/346-7000
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201 THIRD STREET
PARKERSBURG, WEST VIRGINIA 26101
304/485-2345

P. O. BOX 349
500 CHURCH STREET
RIPLEY, WEST VIRGINIA 25271
304/372-2651

REPLY TO:

Charleston

June 5, 1998

United States of America
Rural Utilities Service
P.O. Box 303
Parkersburg, WV 26102

City of Spencer
207 Court Street
Spencer, WV 25276

Re: \$885,000 City of Spencer, Water Revenue Bond,
Series 1998

Gentlemen:

We have examined a transcript of proceedings relating to the issuance of the Water Revenue Bond, Series 1998, in the amount of \$885,000 (the "Bond"), of the City of Spencer, Roane County, West Virginia (the "Issuer"), and a "Non-Arbitrage Certificate" executed by the Mayor of the Issuer on this date.

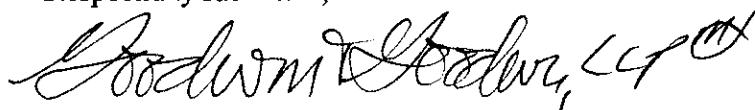
Based upon such Certificate, we are of the opinion that the facts, estimates and circumstances set forth therein are sufficient to satisfy the requirements of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), to support the conclusion that the Bond is not an "arbitrage bond" as therein defined. While we have undertaken no independent investigation or verification of the statements, expectations or representations set forth in such Certificate, no matters have come to our attention which make unreasonable or incorrect such statements, expectations or representations.

Accordingly, it is our opinion that, under existing statutes, regulations, rulings and court decisions, the Bond is not an "arbitrage bond" as so defined.

GOODWIN & GOODWIN, LLP

The opinions set forth above are subject to the condition that the Issuer comply with all requirements of the Code relating to arbitrage that must be satisfied subsequent to the issuance of the Bond in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bond to be so included in gross income retroactive to the date of issuance of the Bond. The Issuer has covenanted to comply with all such requirements.

Respectfully submitted,

A handwritten signature in cursive script that reads "Goodwin & Goodwin, LLP" followed by a circled "X" mark.

GOODWIN & GOODWIN, LLP

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REC-Charleston

June 5, 1998

City of Spencer
207 Court Street
Spencer, WV 25276

United States of America
Rural Utilities Service
P. O. Box 303
Parkersburg, WV 26102

Re: \$885,000 City of Spencer, Water Revenue Bond,
Series 1998

Gentlemen:

We have examined a record of proceedings relating to the issuance by the City of Spencer (the "Issuer") of its Water Revenue Bond, Series 1998, in the principal amount of \$885,000, bearing interest on the unpaid principal balance from date of delivery at the rate of four and one half percent (4.50%) per annum, and dated on the date hereof (the "Bond").

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

Interest only on the Bond is payable in monthly installments for the twenty-four (24) months after delivery of the Bond and thereafter the principal of and interest on the Bond is payable in monthly installments of \$4,063.00, to and including the 480th month after the date of the Bond, the final installment to be in the sum of the unpaid principal and interest due on the date thereof.

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

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

GOODWIN & GOODWIN, LLP

Upon issuance of the Bond, the Issuer has outstanding the 1970 Bond, the 1974 Bond, the 1991 Bond and the 1993 Bond, all as described in the Bond Ordinance, which are on a parity as to lien and source of and security for payment with the Bond.

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

It is our opinion that:

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

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

3. As of this date, the Bond is in due and proper form and has been duly executed and delivered and constitutes a valid and legally enforceable special obligation of the Issuer secured by and payable solely from a parity statutory lien with the Bond and the 1970 Bond, the 1974 Bond, the 1991 Bond and the 1993 Bond, as described in the Bond Ordinance, and a pledge of the net revenues of the System, all in accordance with the terms of the Bond and the Bond Ordinance.

4. The interest on the Bond is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as described for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bond in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bond in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bond. We express no opinion regarding other federal tax consequences arising with respect to the Bond.

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

6. It is to be understood that the rights of the holder of the Bond and the enforceability of the Bond and the Bond Ordinance, and the liens and pledges set forth therein, may be subject to and this opinion is limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws

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affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

A handwritten signature in cursive script that reads "Gordon & Goodwin, LLP". The signature is written in black ink and is positioned above the printed name of the firm.

GOODWIN & GOODWIN, LLP

REGISTRY

\$885,000
CITY OF SPENCER
WATER REVENUE BOND,
SERIES 1998

<u>BOND NO.</u>	<u>AMOUNT</u>	<u>HOLDER</u>	<u>DATE ACQUIRED</u>
R-1	\$885,000	United States of America, United States Department of Agriculture, Rural Utilities Service Federal Building, Room 320 75 High Street Morgantown, WV 26505-7500	June 5, 1998

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

\$885,000
CITY OF SPENCER
WATER REVENUE BOND,
SERIES 1998

RECEIPT FOR BOND NO. R-1 AND TRANSCRIPT

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

1. On the 5th day of June, 1998, at Spencer West Virginia, the undersigned received for the Purchaser the City of Spencer Water Revenue Bond, Series 1998, numbered R-1, in the amount of \$885,000, dated as of the date hereof, bearing interest at the rate of 4.50% per annum, payable in monthly installments as stated in the Bond. The Bond represents the entire above-captioned Bond issue.
2. At the time of such receipt, the Series 1998 Bond had been executed and sealed by the designated officials of the City.
3. At the time of such receipt, there was paid to said City a payment representing a portion of the aggregate principal amount of the Series 1998 Bond.
4. At the time of such receipt, there was also received by the undersigned a set of Bond Transcript documents.

WITNESS my signature on this 5th day of June, 1998.

RURAL UTILITIES SERVICE

By: _____

Rural Development Specialist

812 Quarrier Street,
Suite 300
Charleston, WV 25301
(304) 558-3971

Date of Report: June 5, 1998
(See Reverse for Instructions)

PAYING AGENT: City of Spencer

KNOWLEDGEABLE ISSUER CONTACT:
Contact Person: Terry A. Williams
Position: Mayor
Phone: (304) 927-1640

REQUIRED: