

TOWN OF WAR

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

BOND ORDINANCE

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TOWN OF WAR

BOND ORDINANCE

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

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

ARTICLE I

**STATUTORY AUTHORITY, FINDINGS
AND DEFINITIONS**

Section 1.01. Authority for this Ordinance. This Ordinance is adopted and enacted pursuant to the provisions of Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and other applicable provisions of law. The Town of War (the "Issuer") is a duly created and validly existing municipal corporation and political subdivision of the State of West Virginia in McDowell County of said State.

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

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

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

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

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

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

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

G. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all costs of operation and maintenance of the System, the principal of and interest on the Issuer's Prior Bonds and the Series 2010 A Bonds and to make payments into all funds and accounts and other payments provided for herein..

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

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

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

K. Upon payment of the Prior Notes, there are outstanding obligations of the Issuer which will rank on a parity with the Series 2010 Bonds as to liens, pledge and source of and security for payment being the Issuer's Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), dated June 26, 2008, issued in the original aggregate principal amount of \$215,300 ("the "Series 2008 A Bonds" or the "Prior Bonds").

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

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

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

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

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

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

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

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

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

"Bonds" means the Series 2010 Bonds.

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

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

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

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

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

"FDIC" means the Federal Deposit Insurance Corporation.

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

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

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

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

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

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

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

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

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

"Prior Bonds" means the Series 2008 A Bonds.

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

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

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

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

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

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

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

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

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

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

"Recorder" means the Recorder of the Issuer.

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

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

"Series 2008 A Bonds" means the Issuer's Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), dated June 26, 2008, issued in the original aggregate principal amount of \$215,300.

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

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

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

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

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

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

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

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

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

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

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

ARTICLE II

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

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

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

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

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND ISSUE OF BONDS

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

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

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

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

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

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

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

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

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

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

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

Section 3.05. Execution of Bonds. The Series 2010 Bonds shall be executed in the name of the Issuer by the Mayor and its corporate seal shall be affixed thereto and attested by the Recorder. In case any one or more of the officers who shall have signed or sealed the Series 2010 Bonds shall cease to be such officer of the Issuer before the Series 2010 Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. The Series 2010 Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case the Series 2010 Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bonds or in lieu of and substitution for the Bonds destroyed, stolen or lost, and upon the holder's furnishing the Issuer proof of his ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Series 2010 Bonds so surrendered shall be canceled and held for the account of the Issuer. If the Series 2010 Bonds shall have matured or be about to mature, instead of issuing a substitute Bond the Issuer may pay the same, and, if such Bond be destroyed, stolen or lost, without surrender thereof.

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

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

[Remainder of Page Intentionally Blank]

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

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

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

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

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

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

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

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

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

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

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

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

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

[Remainder of Page Intentionally Blank]

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

TOWN OF WAR

[CORPORATE SEAL]

Mayor

War, West Virginia

ATTEST:

Recorder

EXHIBIT A
RECORD OF ADVANCES

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

TOTAL \$ _____

(Form of Assignment)

ASSIGNMENT

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

Dated: _____, 20____.

In the presence of:

(FORM OF SERIES 2010 B BOND)

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

\$ _____

No. BR-1

Date: _____, 2010

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[Remainder of Page Intentionally Blank]

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

TOWN OF WAR

[CORPORATE SEAL]

Mayor

War, West Virginia

ATTEST:

Recorder

EXHIBIT A

RECORD OF ADVANCES

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

TOTAL \$

(Form of Assignment)

ASSIGNMENT

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

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

Dated: _____, 20__.

In the presence of:

ARTICLE IV

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

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

- (1) Revenue Fund (established by Prior Ordinance);
- (2) Renewal and Replacement Fund (established by Prior Ordinance); and
- (3) Project Construction Account.

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

- (1) Series 2008 A Bonds Sinking Fund (established by Prior Ordinance);
- (2) Series 2008 B Bonds Reserve Account (established by Prior Ordinance);
- (3) Series 2010 A Bonds Reserve Account; and
- (4) Series 2010 B Bonds Reserve Account.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE V

GENERAL COVENANTS, ETC.

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

Section 5.02. Rates. Prior to the issuance of the Series 2010 Bonds, rates or charges for the use of the services and facilities of the System will be fixed and established, all in the manner and form required by law, and a copy of such rates and charges so fixed and established shall at all times be kept on file in the office of the Recorder of the Issuer, which copy will be open to inspection by all interested parties. The schedule or schedules of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds and accounts created hereunder. Such schedule or schedules of rates and charges shall be revised from time to time, whenever necessary, so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule or schedules of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System, (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2010 Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2010 Bonds including the Prior Bonds; provided that, in the event that, an amount equal to or in excess of the Reserve Requirement is on deposit in the respective Series 2010 Bonds Reserve Accounts and any reserve accounts for obligations on a parity with the Series 2010 Bonds are funded at least at the requirement therefor, such sum need only equal 110% of the maximum amount required in any year for payment of principal of and interest on the Series 2010 Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2010 Bonds.

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

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

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

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

- (1) The Prior Bonds and the Bonds Outstanding;
- (2) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Bond Legislation then Outstanding;
- (3) The Parity Bonds then proposed to be issued.

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

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

- (1) The Bonds then Outstanding;
- (2) Any additional Parity Bonds theretofore issued pursuant to the provisions contained in the Prior Ordinances and this Bond Legislation then Outstanding; and
- (3) The additional Parity Bonds then proposed to be issued.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (a) Failure to make payment of any monthly amortization installment upon the Series 2010 Bonds at the date specified for payment thereof;
- (b) Failure to duly and punctually observe or perform any of the covenants, conditions and agreements on the part of the Issuer contained in the Series 2010 Bonds or herein, or violation of or failure to observe any provision of any pertinent law, and
- (c). If default occurs with respect to the Prior Bonds or the Prior Ordinance.

Section 5.08. Enforcement. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Series 2010 Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Series 2010 Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Series 2010 Bonds, or the rights of such Registered Owners; provided that, all rights and remedies of the Holders of the Series 2010 Bonds shall be on a parity with those of the Holders of the Prior Bonds.

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE VI

RATES, ETC.

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

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

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

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

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

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

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

ARTICLE VII

MISCELLANEOUS

Section 7.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid, to the Holder of the Series 2010 Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 2010 Bonds, the pledge of Gross Revenues and other monies and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Series 2010 Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied.

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

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

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

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

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

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

Section 7.07. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption and enactment of this Ordinance do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Mayor, Recorder and members of the Governing Body were at all times when any actions in connection with this Ordinance occurred and are duly in office and duly qualified for such office.

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

[Remainder of Page Intentionally Blank]

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

Passed on First Reading: October 20, 2010

Passed on Second Reading: November 17, 2010

Passed on Final Reading
Following Public Hearing: December 15, 2010

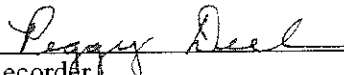
Thomas C. Hatcher
Mayor

CERTIFICATION

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

Dated: January 27, 2011.

[SEAL]


Recorder

TOWN OF WAR

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

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION MAKING PROVISIONS AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISION, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 2011 A OF THE TOWN OF WAR, AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the council (the "Governing Body") of the Town of War (the "Issuer") has duly and officially adopted and enacted a bond ordinance on December 15, 2010 (the "Bond Ordinance"), entitled:

ORDINANCE AUTHORIZING THE PAYMENT OF THE WATERWORKS SYSTEM DESIGN BOND ANTICIPATION NOTES, SERIES 2009 A, THE PAYMENT OF THE WATERWORKS SYSTEM DESIGN BOND ANTICIPATION NOTES, SERIES 2009 B AND THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, IMPROVEMENTS AND EXTENSIONS TO THE EXISTING WATERWORKS SYSTEM OF THE TOWN OF WAR, AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED THEREOF, THROUGH THE ISSUANCE BY THE TOWN OF NOT MORE THAN \$1,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2011 A (UNITED STATES DEPARTMENT OF AGRICULTURE); AND THROUGH THE ISSUANCE BY THE TOWN OF NOT MORE THAN \$700,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2011 B (UNITED STATES DEPARTMENT OF AGRICULTURE); DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDER OF THE BONDS; AND PROVIDING WHEN THIS ORDINANCE SHALL TAKE EFFECT

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

WHEREAS, the Bond Ordinance provides for the issuance of Water Revenue Bonds, Series 2011 A, of the Issuer (the "Series 2011 A Bonds"), in an aggregate principal amount not to exceed \$1,500,000, and has authorized the execution and delivery of the documents relating to the Bonds, all in accordance with Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (collectively, the "Act");

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

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

Section 1. Pursuant to the Bond Ordinance and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the following bonds of the Issuer:

A. Water Revenue Bonds, Series 2011 A (United States Department of Agriculture), of the Issuer, originally represented by a single Bond, numbered AR-1 in the principal amount of \$1,100,000. The Series 2011 A Bonds shall be dated the date of delivery thereof, shall bear interest at the rate of 2.5% per annum, interest only payable in monthly installments for the first 12 months commencing 30 days following delivery of the Series 2011 A Bonds and continuing on the corresponding day of each month and, thereafter, principal and interest are payable in monthly installments of \$3,740 on the corresponding day of each month, except that the final installment shall be paid at the end of forty (40) years from the date of the Series 2011 A Bonds, in the sum of the unpaid principal and interest due on the date thereof, except that prepayments may be made as hereinafter provided and as provided in the Series 2011 A Bonds, all such payments to be made at the National Finance Office, St. Louis, Missouri 63103, or at such other place as the Purchaser may designate after issuance of the Series 2011 A Bonds. Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the Issuer.

Section 2. The Mayor and the Recorder are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Bonds hereby and by the Bond Ordinance approved and provided for, to the end that the Bonds may be delivered on or about January 27, 2011, to the Purchaser.

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

Section 4. The payment of the Prior Notes and the acquisition and construction of the Project and the financing thereof in part with the proceeds of the Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 5. Series 2011 A Bonds proceeds in the amount of \$252,171.48 shall be deposited with United Bank, Inc. to pay the outstanding principal balance of and all accrued interest on the Issuer's Waterworks Design Bond Anticipation Notes, Series 2009 A (the "Series 2009 A Notes") at Closing.

Section 6. The Issuer hereby approves and accepts all contracts relating to the financing, acquisition and construction of the Project.

Section 7. The cost of the Project is estimated not to exceed \$2,646,500, of which \$1,100,000 will be obtained from proceeds of the Series 2011 A Bonds and \$1,546,500 as a grant from the Purchaser.

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

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Adopted this 19th day of January, 2011.

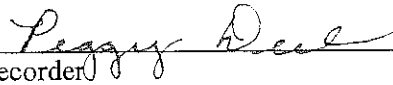
Thomas L. Hatcher
Mayor

CERTIFICATION

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

Dated: January 27, 2011.

[SEAL]


Recorder

939100.00005

SPECIMEN

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

\$1,100,000

No. AR-1

Date: January 27, 2011

FOR VALUE RECEIVED, the TOWN OF WAR (herein called "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of ONE MILLION ONE HUNDRED THOUSAND DOLLARS (\$1,100,000), plus interest on the unpaid principal balance at the rate of 2.5% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof, and \$3,740, covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of 40 years from the date of this Bond, in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

THIS BOND IS ISSUED ON A PARITY, AS TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, WITH THE BORROWER'S: WATER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA INFRASTRUCTURE FUND), DATED JUNE 26, 2008, IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$215,300 (THE "SERIES 2008 A BONDS" OR THE "PRIOR BONDS"); AND WATER REVENUE BONDS, SERIES 2011 B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED JANUARY 27, 2011, ISSUED IN THE AGGREGATE PRINCIPAL AMOUNT OF \$400,000, (THE "SERIES 2011 B BONDS") ISSUED SIMULTANEOUSLY HEREWITH.

[Remainder of Page Intentionally Blank]

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

TOWN OF WAR

[CORPORATE SEAL]

Mayor
11701 Hwy 16
War, West Virginia 24892

ATTEST:

Recorder

EXHIBIT A
RECORD OF ADVANCES

<u>AMOUNT</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>DATE</u>
(1) \$313,146.07	January 27, 2011	(19)	
(2)		(20)	
(3)		(21)	
(4)		(22)	
(5)		(23)	
(6)		(24)	
(7)		(25)	
(8)		(26)	
(9)		(27)	
(10)		(28)	
(11)		(29)	
(12)		(30)	
(13)		(31)	
(14)		(32)	
(15)		(33)	
(16)		(34)	
(17)		(35)	
(18)		(36)	

TOTAL \$ _____

(Form of Assignment)

ASSIGNMENT

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

Dated: _____, 20 ____.

In the presence of:

PHASE II/IV

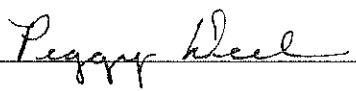
TOWN OF WAR

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

\$1,100,000

REGISTRATION BOOKS

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

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

939100.00005

CH5227909



STEPTOE &
JOHNSON
P L L C
ATTORNEYS AT LAW

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

Writer's Contact Information

PHASE II/IV

January 27, 2011

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

Town of War
War, West Virginia

United States Department of Agriculture
Cross Lanes, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by the Town of War, in McDowell County, West Virginia (the "Issuer"), of its \$1,100,000 Water Revenue Bonds, Series 2011 A (United States Department of Agriculture), dated the date hereof (the "Series 2011 A Bonds"), pursuant to Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (the "Act"), and a bond ordinance of the Issuer duly enacted on December 15, 2010, as supplemented by Supplemental Resolution duly adopted on January 19, 2011 (collectively, the "Bond Legislation"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

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

The Bonds are issued for the purposes of (i) paying the Issuer's Waterworks Design Bond Anticipation Notes, Series 2009 A (the "Series 2009 A Notes"); and (ii) paying a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing public waterworks system of the Issuer (the "Project").

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

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

9

CH5227905

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

3. Pursuant to the Act, the Bond Legislation creates a valid lien on the Gross Revenues of the System for the security of the Series 2011 A Bonds on a parity with the Issuer's Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), dated June 26, 2008, issued in the original aggregate principal amount of \$215,300 (the "Prior Bonds") and the Water Revenue Bonds, Series 2011 B (United States Department of Agriculture) dated January 27, 2011 in the original principal amount of \$400,000 issued simultaneously with the Series 2011 A Bonds. Other than the Prior Bonds and the Series 2011 B Bonds, there are no other outstanding bonds or obligations of the Issuer which rank prior to or on a parity with the Series 2011 A Bonds as to liens, pledge and/or source of and security for payment.

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

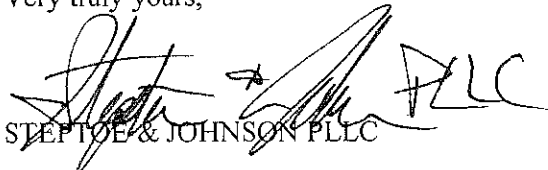
5. The Series 2011 A Bonds have not been issued on the basis that the interest, if any, thereon is or will be excluded from the gross income of the owners thereof for federal income tax purposes; therefore, the interest on the Series 2011 A Bonds is not excluded from gross income for federal income tax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

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

7. With proceeds from the Series 2011 A Bonds, the Series 2009 A Notes have been paid in full, and the covenants, agreements and other obligations of the Issuer to the owners of such Note has been satisfied and discharged. In rendering the opinion set forth in this paragraph, we have relied upon the receipt of payment from the owners of such Note that they have received payment for the entire outstanding principal of such Note and all interest accrued thereon on the date hereof and that such Note has been paid in full.

It is to be understood that the rights of the holder of the Series 2011 A Bonds and the enforceability of the Series 2011 A Bonds, the Bond Legislation and the liens and pledges set forth therein may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that the enforcement thereof may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,


STEPTOE & JOHNSON PLLC

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

ATTORNEYS AT LAW
1800 HARPER ROAD
BECKLEY, WEST VIRGINIA 25801

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

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

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

January 27, 2011

Phase II/ IV & Phase III

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

Town of War
War, West Virginia

Steptoe & Johnson PLLC
Charleston, West Virginia

Ladies and Gentlemen:

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

I am of the opinion that:

1. The Issuer has been duly created and is validly existing as a municipality and political subdivision of the State of West Virginia.
2. The Mayor, Recorder, and members of the Council of the Issuer have been duly, lawfully and properly elected or appointed, as applicable, have taken the requisite oaths, and are authorized to act in their respective capacities on behalf of the Issuer.
3. The Bond Legislation has been duly adopted and enacted by the Issuer, is in full force and effect as of the date hereof and constitutes a valid and binding obligation of the Issuer enforceable in accordance with its terms.
4. The execution and delivery of the Bonds and the consummations of the transactions contemplated by the Bonds and the Bond Legislation, and the carrying out of the terms thereof, do not and will not, in any material respect, conflict with or constitute, on the part of the Issuer, a breach of or default

under any order, resolution, agreement or other instrument to which Issuer is a party, and of which I am aware or by which the Issuer or its properties are bound, and of which I am aware, or any existing law, regulation, rule, court order or consent decree to which the issuer is subject.

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

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

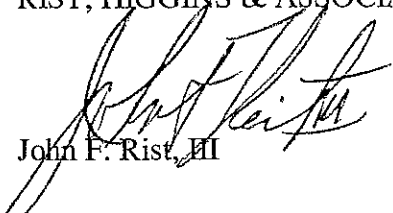
7. To the best of my knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Bonds and the Bond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

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

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

Very truly yours,

RIST, HIGGINS & ASSOCIATES, PLLC



John F. Rist, III

JFR/lp



SPILMAN THOMAS & BATTLE, PLLC
ATTORNEYS AT LAW

January 27, 2011

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

PHASE II/IV & PHASE III

Town of War
War, West Virginia

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

Steptoe & Johnson PLLC
Charleston, West Virginia

Ladies and Gentlemen:

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

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

Very truly yours,

Spilman Thomas & Battle, PLLC

SPILMAN THOMAS & BATTLE, PLLC

SJR/rcs
2607073

TOWN OF WAR

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

COMBINED CERTIFICATE OF ISSUER AND ATTORNEY ON:

1. AUTHORIZATION AND AWARD OF BOND
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS
4. PUBLICATION AND NO PROTEST
5. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
6. SIGNATURES, ETC.
7. CERTIFICATION OF COPIES OF DOCUMENTS
8. INCUMBENCY AND OFFICIAL NAME, ETC.
9. DELIVERY AND PAYMENT AND USE OF PROCEEDS
10. LAND AND RIGHTS OF WAY
11. MEETINGS; PUBLICATION AND POSTING OF NOTICES, ETC.
12. CONTRACTORS' INSURANCE, ETC.
13. MANAGEMENT
14. CONFLICT OF INTEREST
15. PROCUREMENT OF ENGINEERING SERVICES
16. EXECUTION OF COUNTERPARTS

We, the undersigned MAYOR and RECORDER of the Town of War, in McDowell County, West Virginia (the "Issuer"), and the undersigned COUNSEL to the Issuer, acting for the Issuer and in its name, hereby state and certify on this 27th day of January, 2011, in connection with the Town of War Water Revenue Bonds, Series 2011 A (United States Department of Agriculture), No. AR-1, fully registered, dated the date hereof, in the principal amount of \$1,100,000, and bearing interest at the rate of 2.5% per annum (the "Series 2011 A Bonds") as follows:

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

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

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

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

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

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

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

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

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

The Issuer has outstanding its Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), dated June 26, 2008, issued in the original aggregate principal amount of \$215,300 (the "Series 2008 A Bonds" or the "Prior Bonds"). The Series 2011 A Bonds are payable from and secured by a first lien on the Gross Revenues of the System. The Series 2011 A Bonds shall be issued on a parity with the Series 2008 A Bonds and the Series 2011 B Bonds, issued simultaneously, with respect to liens, pledge and source of and security for payment and in all other respects.

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

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

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

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

Bond Ordinance

Prior Bond Ordinance and Supplemental Resolution

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

Public Service Commission Orders

United States Department of Agriculture Loan Resolution

Specimen Series 2011 A Bond

Charter

Oaths of Office of Officers and Council Members

Resolution on Open Governmental Proceedings

Water Rate Ordinance

Affidavit of Publication on Rate Ordinance

Minutes on Adoption and Enactment of Rate Ordinance

Affidavit of Publication on Bond Ordinance

Minutes on Adoption and Enactment of Bond Ordinance

United States Department of Agriculture Letter of Conditions and
Closing Instructions

Receipt of Depository Bank

Receipt and Release of Series 2009 A Notes

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

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

The duly appointed and acting Counsel to the Issuer is John Rist, Beckley, West Virginia.

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

At the time of delivery of the Series 2011 A Bonds, the amount of \$313,146.07 was received by the undersigned Mayor, being a portion of the principal amount of the Series 2011 A, the balance to be paid as acquisition and construction of the Project progresses.

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

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

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

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

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

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

14. CONFLICT OF INTEREST: No officer or employee of the Issuer has a substantial financial interest, direct, indirect or by reason of ownership of stock in any corporation, in any contract with the Issuer or in the sale of any land, materials, supplies or services to the Issuer or to any contractor supplying the Issuer, relating to the Bond, the Bond Ordinance and/or the Project, including, without limitation, with respect to the Depository Bank, as defined in the Bond Ordinance. For purposes of this paragraph, a "substantial financial interest" shall include, without limitation, an interest amounting to more than 5% of the particular business enterprise or contract.

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

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

[Remainder of Page Intentionally Blank]

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

[CORPORATE SEAL]

SIGNATURE

OFFICIAL TITLE

Thomas C. Gatcher

Mayor

Peggy Deery

Recorder

John H. Hirth

Counsel to Issuer
(to the best of my knowledge and belief)

939100.00005

PHASE II/IV

TOWN OF WAR

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

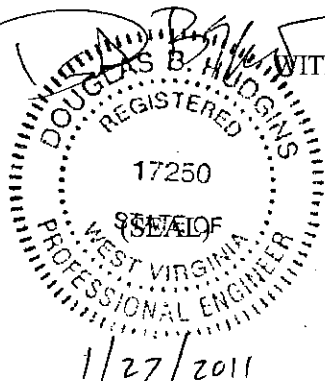
ENGINEER'S CERTIFICATE

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

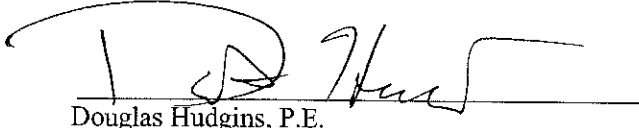
I further certify that the Project will, to the best of my knowledge, be constructed in accordance with plans and specifications prepared by my firm and that such system and Project are situated wholly or chiefly within the boundaries of the Issuer.

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

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



OLVER – A CHA COMPANY


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

939100.00005

Attachment No. 1 to Letter of Conditions
For: City of War (Phases II & IV)
Closing Budget: Jan. 27, 2011

Project Construction Budget

<u>PROJECT COST</u>	<u>RUS LOAN</u>	<u>RUS GRANT</u>	<u>SUBSEQUENT RUS GRANT</u>	<u>TOTAL</u>
CONSTRUCTION				\$ -
Contract #1	\$ 114,966.82	\$ 1,327,233.18	\$ 111,307.50	\$ 1,553,507.50
Contract #2	\$ 368,000.00			\$ 368,000.00
CONST. CONTINGENCY			\$ 106,192.50	\$ 106,192.50
LAND & RIGHTS	\$ 30,000.00			\$ 30,000.00
LEGAL FEES	\$ 46,000.00			\$ 46,000.00
BOND COUNSEL	\$ 18,500.00			\$ 18,500.00
ACCOUNTING	\$ 11,000.00			\$ 11,000.00
ENGINEERING FEES	\$ 304,838.00			\$ 304,838.00
Basic - \$144,800				
Insp. - \$106,000				
Special - \$ 54,038.00 **				
INTEREST	\$ 80,000.00			\$ 80,000.00
*INTERIM FINANCING EXP	\$ 21,995.18			\$ 21,995.18
TECHNICAL SERVICES	\$ 55,000.00			\$ 55,000.00
PERMITS	\$ 49,700.00			
PROJECT CONTINGENCY		\$ 1,766.82		\$ 1,766.82
TOTAL	\$ 1,100,000.00	\$ 1,329,000.00	\$ 217,500.00	\$ 2,646,500.00

* INCLUDES \$13,657.18 IN INTEREST AND \$8,338.00 IN CLOSING COSTS

** INCLUDES ENGR. AMENDMENT PENDING APPROVAL BY STATE ENGINEER

WV MUNICIPAL BOND COMMISSION
1207 Quarrier Street
Suite 401
Charleston, WV 25301
(304) 558-3971

NEW ISSUE REPORT FORM

Date of Report: 27-Jan-11

PHASE III/IV Project

ISSUE: <u>Town of War</u> <u>Water Revenue Bonds, Series 2011 A (United States Department of Agriculture)</u>	
ADDRESS: <u>P.O. Box 280, War, West Virginia 24892</u>	COUNTY: <u>McDowell</u>
PURPOSE OF ISSUE: New Money: <u>x</u> Refunding: <u> </u>	
ISSUE DATE: <u>27-Jan-11</u>	REFUNDS ISSUE(S) DATED: <u>NA</u>
ISSUE AMOUNT: <u>\$1,100,000</u>	CLOSING DATE: <u>27-Jan-11</u>
1ST DEBT SERVICE DUE: <u>NA</u>	RATE: <u>2.5%</u>
1ST DEBT SERVICE AMOUNT <u>NA</u>	1ST PRINCIPAL DUE <u>NA</u>
	PAYING AGENT: <u>Issuer</u>
BOND COUNSEL: Firm: <u>Steptoe & Johnson PLLC</u> Contact: <u>John Stump, Esquire</u> Phone: <u>(304) 353.8196</u>	
UNDERWRITERS COUNSEL Firm: <u> </u> Contact: <u> </u> Phone: <u> </u>	
CLOSING BANK: Bank: <u> </u> Contact: <u> </u> Phone: <u> </u>	
ESCROW TRUSTEE: Firm: <u> </u> Contact: <u> </u> Phone: <u> </u>	
KNOWLEDGEABLE ISSUER CONTACT Contact: <u>Thomas Hatcher</u> Position: <u>Mayor</u> Phone: <u>304.875.3111</u>	
OTHER: Agency: <u>United States Department of Agriculture</u> Contact: <u>Tracey Rowan</u> Position: <u>Rural Development Specialist</u> Phone: <u>304.776.5298 ext 116</u>	
DEPOSITS TO MBC AT CLOSE By: <u> </u> Wire <u> </u> Accrued Interest: \$ <u> </u> <u> </u> Check <u> </u> Capitalized Interest: \$ <u> </u> <u> </u> Reserve Account: \$ <u> </u> <u> </u> Other: \$ <u> </u>	
REFUNDS & TRANSFERS BY MBC AT CLOSE By: <u> </u> Wire <u> </u> To Escrow Trustee \$ <u> </u> <u> </u> Check <u> </u> To Issuer \$ <u> </u> <u> </u> IGT <u> </u> To Cons. Invest. Fun: \$ <u> </u> <u> </u> To Other: <u> </u> \$ <u> </u>	
NOTES: <u>Monthly debt service payments will be made directly to the National Finance Office. The Municipal Bond Commission will only hold the Series 2011 A Bonds Reserve Account. Payments into the Series 2011 A Bonds Reserve Account will commence 24 months following the date hereof.</u>	
FOR MUNICIPAL BOND COMMISSION USE ONLY: DOCUMENTS REQUIRED: <u> </u> TRANSFERS REQUIRED: <u> </u>	

SWEEP RESOLUTION

WHEREAS, the Town of War (the "Issuer") is a governmental body and political subdivision of West Virginia;

WHEREAS, the Issuer has issued bonds, as more specifically set forth on Exhibit A, attached hereto and incorporated herein by reference (the "Bonds");

WHEREAS, the Issuer makes monthly debt service payments on the Bonds by check to the West Virginia Municipal Bond Commission (the "MBC") which in turn pays the owners of the Bonds and deposits funds in the reserve accounts;

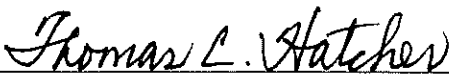
WHEREAS, the MBC may accept such monthly payments by electronic funds transfer thereby eliminating delay in payments and lost checks;

WHEREAS, the Issuer find and determines that it is in the best interest of the Issuer, its citizens and the owners of the Bonds that the monthly debt service and reserve fund payments be made by electronic transfer with the State Treasurer **sweeping** the Issuer's account.

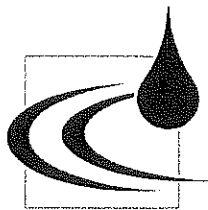
NOW THEREFORE BE IT RESOLVED AS FOLLOWS:

- 1) The monthly debt service payments on the Bonds, as set forth in Exhibit A, shall be made to the MBC by electronic transfer by the State Treasurer from the accounts set forth in Exhibit A in such form and at such directions as are provided by the MBC.
- 2) Mayor and Recorder are hereby authorized to sign and execute all such documents as are necessary to facilitate the electronic transfer of the Bond debt service and reserve fund payments.
- 3) This resolution shall be effective immediately upon adoption.

Adopted this 19th day of January, 2011.



Mayor



WEST VIRGINIA

Water Development Authority

Celebrating 36 Years of Service 1974 - 2010

Phase II & IV
Phase III

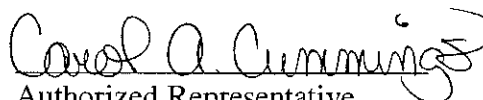
January 27, 2011

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

TO WHOM IT MAY CONCERN:

In reliance upon the certificate of Teed & Associates, independent certified public accountants, and an opinion of Steptoe & Johnson, PLLC, as bond counsel, stating that the coverage and parity requirements have been met, the undersigned duly authorized representative for the West Virginia Water Development Authority, the registered owner of the entire outstanding aggregate principal amount of the Series 2008 A Bonds, hereinafter defined and described, hereby consents to the issuance of the Water Revenue Bonds, Series 2011 A (United States Department of Agriculture), in the original aggregate principal amount of \$1,100,000 (the "Series 2011 A Bonds") and the Water Revenue Bonds, Series 2011 B (United States Department of Agriculture), in the original aggregate principal amount of \$400,000 (the "Series 2011 B Bonds") by the Town of War (the "Issuer"), under the terms of the bond ordinance authorizing the Series 2011 A Bonds and the Series 2011 B Bonds, on a parity, with respect to liens, pledge and source of and security for payment, with the Issuer's outstanding Water Revenue Bonds, Series 2008 A (West Virginia Infrastructure Fund), dated June 26, 2008, issued in the original aggregate principal amount of \$215,300, (the "Series 2008 A Bonds").

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY


Authorized Representative