

\$970,000
CITY OF WAR, WEST VIRGINIA
SEWER REVENUE BONDS
SERIES 1999A
(WEST VIRGINIA INFRASTRUCTURE FUND)

and
\$500,000
CITY OF WAR, WEST VIRGINIA
SEWER REVENUE BONDS
SERIES 1999B
(UNITED STATES DEPARTMENT OF
AGRICULTURE)

(August 1996)

GRANT AGREEMENT

This Grant Agreement entered into between the West Virginia Water Development Authority (the "Authority") on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council") and the **CITY OF WAR** (the "Governmental Agency").

RECITALS

WHEREAS, the Council has authorized the Authority to make a grant to the Governmental Agency in the amount not to exceed \$3,200,000 (the "Grant") for the purpose of the acquisition and construction/design/planning of a project for which a preliminary application has been submitted and approved by the Council;

WHEREAS, the Governmental Agency wishes to accept the Grant upon such terms and conditions as are hereinafter set forth for the purpose of constructing the project described in Exhibit A attached hereto and incorporated herein by reference (the "Project");

WHEREAS, this Agreement sets forth the Council, the Authority and the Governmental Agency's understanding and agreements with regard to the Grant.

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter contained, the Authority and the Governmental Agency hereby agree as follows:

TERMS

1. Prior to the distribution of the Grant, the Governmental Agency shall provide the Authority with a Project budget and an anticipated monthly draw schedule reflecting the receipt dates and amounts from other funding sources.
2. The Authority shall advance the Council's share of the Project costs from the Grant from time to time upon receipt of a requisition evidencing the costs incurred, which requisition must be satisfactory to the Authority and the Council.
3. The monthly requisition will also set forth (i) the amounts requested for that requisition period from all other funding agencies, and (ii) the amounts advanced for the Project to date from all other funding agencies.
4. The Governmental Agency will use the proceeds of the Grant only for the purposes specifically set forth in Exhibit A.
5. The Governmental Agency shall comply with and is bound by the Council's rules set forth as Title 167, Series 1 and more particularly Section 5.9 with respect to the sale of the Project.
6. The Governmental Agency acknowledges that the Grant may be reduced, from time

to time, to reflect actual Project costs and availability of other funding.

7. The Governmental Agency shall submit all proposed change orders to the Council for written approval. The Governmental Agency shall obtain the written approval of the Council before expending any proceeds of the Grant held in "contingency" as set forth in the final Schedule B. The Governmental Agency shall obtain the written approval of the Council before expending any proceeds of the Grant available due to bid/construction/project underruns.

8. This Agreement shall be governed by the laws of the State of West Virginia.

IN WITNESS WHEREOF, the parties hereto have caused this Grant Agreement to be executed by the respective duly authorized officers as of the date executed below by the Authority.

CITY OF WAR

By: Thomas C. Hatcher
Mayor

Date: June 25, 1999

SEAL

ATTEST

Peggy Weil
Recorder

WEST VIRGINIA WATER
DEVELOPMENT AUTHORITY

By: Daniel B. Gorkushy
Director

Date: June 25, 1999

SEAL

ATTEST

Barbara B. Meadows
Secretary - Treasurer

EXHIBIT A

The project consists of a 0.20 MGD wastewater treatment facility and gravity collection system at a total project cost of approximately \$8,940,000.

WATER OR WASTE SYSTEM GRANT AGREEMENT

UNITED STATES DEPARTMENT OF AGRICULTURE

RURAL UTILITIES SERVICE

THIS AGREEMENT dated May 24, 1999 between

City of War

a public corporation organized and operating under

Chapter 16, Article 13, West Virginia Code

(Authorizing Statute)

herein called "Grantee," and the United States of America acting through the Rural Utilities Service, Department of Agriculture, herein called "Grantor," WITNESSETH:

WHEREAS

Grantee has determined to undertake a project of acquisition, construction, enlargement, or capital improvement of a (water) (sewer) system to serve the area under jurisdiction at an estimated cost of \$ 8,940,000.00 and has duly authorized the undertaking of such project.

Grantee is able to finance not more than \$ 5,990,000.00 of the development cost through revenues, charges, taxes or assessments, or funds otherwise available to Grantee resulting in a reasonable user charge.

Said sum of \$ 5,990,000.00 has been committed to and by Grantee for such project development costs.

Grantor has agreed to grant the Grantee a sum not to exceed \$ 2,950,000.00 or 75% percent of said development costs, whichever is the lesser, subject to the terms and conditions established by the Grantor. Provided, however, that the proportionate share of any grant funds actually advanced and not needed for grant purposes shall be returned immediately to the Grantor. The Grantor may terminate the grant in whole, or in part, at any time before the date of completion, whenever it is determined that the Grantee has failed to comply with the conditions of the grant.

As a condition of this grant agreement, the Grantee assures and certifies that it is in compliance with and will comply in the course of the agreement with all applicable laws, regulations, Executive orders and other generally applicable requirements, including those set out in 7 CFR 3015.205(b), which hereby are incorporated into this agreement by reference, and such other statutory provisions as are specifically set forth herein.

NOW, THEREFORE, In consideration of said grant by Grantor to Grantee, to be made pursuant to Section 306 (a) of the Consolidated Farm and Rural Development Act the purpose only of defraying a part not to exceed 33.0% percent of the development costs, as defined by applicable Rural Utilities Service Instructions.

GRANTEE AGREES THAT GRANTEE WILL:

A. Cause said project to be constructed within the total sums available to it, including said grant, in accordance with the project plans and specifications and any modifications thereof prepared by Grantee and approved by Grantor.

- B. Permit periodic inspection of the construction by a representative of Grantor during construction.
- C. Manage, operate and maintain the system, including this project if less than the whole of said system, continuously in an efficient and economical manner.
- D. Make the services of said system available within its capacity to all persons in Grantee's service area without discrimination as to race, color, religion, sex, national origin, age, marital status, or physical or mental handicap (possess capacity to enter into legal contract for services) at reasonable charges, including assessments, taxes, or fees in accordance with a schedule of such charges, whether for one or more classes of service. ~~Adopted by resolution dated XXXXXXXXXXXXXXXXXXXXXXXXXX~~ as may be modified from time to time by Grantee. The initial rate schedule must be approved by Grantor. Thereafter, Grantee may make such modifications to the rate system as long as the rate schedule remains reasonable and nondiscriminatory.
- E. Adjust its operating costs and service charges from time to time to provide for adequate operation and maintenance, emergency repair reserves, obsolescence reserves, debt service and debt service reserves.
- F. Expand its system from time to time to meet reasonably anticipated growth or service requirements in the area within its jurisdiction.
- G. Provide Grantor with such periodic reports as it may require and permit periodic inspection of its operations by a representative of the Grantor.
- H. To execute any agreements required by Grantor which Grantee is legally authorized to execute. If any such agreement has been executed by Grantee as a result of a loan being made to Grantee by Grantor contemporaneously with the making of this grant, another agreement of the same type need not be executed in connection with this grant.
- I. Upon any default under its representations or agreements set forth in this instrument, Grantee, at the option and demand of Grantor, will repay to Grantor forthwith the original principal amount of the grant stated herein above with the interest at the rate of 5 percentum per annum from the date of the default. Default by the Grantee will constitute termination of the grant thereby causing cancellation of Federal assistance under the grant. The provisions of this Grant Agreement may be enforced by Grantor, at its option and without regard to prior waivers by it previous defaults of Grantee, by judicial proceedings to require specific performance of the terms of this Grant Agreement or by such other proceedings in law or equity, in either Federal or State courts, as may be deemed necessary by Grantor to assure compliance with the provisions of this Grant Agreement and the laws and regulations under which this grant is made.
- J. Return immediately to Grantor, as required by the regulations of Grantor, any grant funds actually advanced and not needed by Grantee for approved purposes.
- K. Use the real property including land, land improvements, structures, and appurtenances thereto, for authorized purposes of the grant as long as needed.
1. Title to real property shall vest in the recipient subject to the condition that the Grantee shall use the real property for the authorized purpose of the original grant as long as needed.
 2. The Grantee shall obtain approval by the Grantor agency for the use of the real property in other projects when the Grantee determines that the property is no longer needed for the original grant purposes. Use in other projects shall be limited to those under other Federal grant programs or programs that have purposes consistent with those authorized for support by the Grantor.

* as approved by the West Virginia Public Service Commission

3. When the real property is no longer needed as provided in 1 and 2 above, the Grantee shall request disposition instructions from the Grantor agency or its successor Federal agency. The Grantor agency shall observe the following rules in the disposition instructions:

(a) The Grantee may be permitted to retain title after it compensates the Federal Government in an amount computed by applying the Federal percentage of participation in the cost of the original project to the fair market value of the property.

(b) The Grantee may be directed to sell the property under guidelines provided by the Grantor agency. When the Grantee is authorized or required to sell the property, proper sales procedures shall be established that provide for competition to the extent practicable and result in the highest possible return.

[Revision 1, 04/17/1998]

(c) The Grantee may be directed to transfer title to the property to the Federal Government provided that in such cases the Grantee shall be entitled to compensation computed by applying the Grantee's percentage of participation in the cost of the program or project to the current fair market value of the property.

This Grant Agreement covers the following described real property (use continuation sheets as necessary).

All that property included in city of War sanitary Sewerage Treatment and Collection system including all land and rights-of-way associated therewith.

L. Abide by the following conditions pertaining to equipment which is furnished by the Grantor or acquired wholly or in part with grant funds. Equipment means tangible, non-expendable personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. A Grantee may use its own definition of equipment provided that such definition would at least include all equipment defined above.

[Revision 1, 04/17/1998]

1. Use of equipment.

(a) The Grantee shall use the equipment in the project for which it was acquired as long as needed. When no longer needed for the original project, the Grantee shall use the equipment in connection with its other Federally sponsored activities, if any, in the following order of priority:

(1) Activities sponsored by the Grantor.

(2) Activities sponsored by other Federal agencies.

(b) During the time that equipment is held for use on the project for which it was acquired, the Grantee shall make it available for use on other projects if such other use will not interfere with the work on the project for which the equipment was originally acquired. First preference for such other use shall be given to Grantor sponsored projects. Second preference will be given to other Federally sponsored projects.

2. Disposition of equipment. When the Grantee no longer needs the equipment as provided in paragraph (a) above, the equipment may be used for other activities in accordance with the following standards:

(a) Equipment with a current per unit fair market value of \$5,000 or more. The Grantee may use the property for other activities without reimbursement to the Federal Government or sell the equipment and retain the proceeds.

(b) Equipment with a current per unit fair market value of \$5,000 or more. The Grantee may retain the equipment for other uses provided that compensation is made to the original Grantor agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value or proceeds from sale of the equipment. If the Grantee has no need for the equipment and the equipment has further use value, the Grantee shall request disposition instructions from the original Grantor agency.

The Grantor agency shall determine whether the equipment can be used to meet the agency's requirements. If no requirement exists within that agency, the availability of the equipment shall be reported, in accordance with the guidelines of the Federal Property Management Regulations (FPMR), to the General Services Administration by the Grantor agency to determine whether a requirement for the equipment exists in other Federal agencies. The Grantor agency shall issue instructions to the Grantee no later than 120 days after the Grantee requests and the following procedures shall govern:

(1) If so instructed or if disposition instructions are not issued within 120 calendar days after the Grantee's request, the Grantee shall sell the equipment and reimburse the Grantor agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the Grantee shall be permitted to deduct and retain from the Federal share ten percent of the proceeds, for Grantee's selling and handling expenses.

(2) If the Grantee is instructed to ship the equipment elsewhere the Grantee shall be reimbursed by the benefiting Federal agency with an amount which is computed by applying the percentage of the Grantee participation in the cost of the original grant project or program to the current fair market value of the equipment, plus any reasonable shipping or interim storage costs incurred.

(3) If the Grantee is instructed to otherwise dispose of the equipment, the Grantee shall be reimbursed by the Grantor agency for such costs incurred in its disposition.

3. The Grantee's property management standards for equipment shall also include:

(a) Records which accurately provide for: a description of the equipment; manufacturer's serial number or other identification number; acquisition date and cost; source of the equipment; percentage (at the end of budget year) of Federal participation in the cost of the project for which the equipment was acquired; location, use and condition of the equipment and the date the information was reported; and ultimate disposition data including sales price or the method used to determine current fair market value if the Grantee reimburses the Grantor for its share.

(b) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years to verify the existence, current utilization, and continued need for the equipment.

(c) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented.

(d) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.

(e) Proper sales procedures shall be established for unneeded equipment which would provide for competition to the extent practicable and result in the highest possible return.

This Grant Agreement covers the following described equipment (use continuation sheets as necessary).
N/A

M. Provide Financial Management Systems which will include:

1. Accurate, current, and complete disclosure of the financial results of each grant. Financial reporting will be on an accrual basis.
2. Records which identify adequately the source and application of funds for grant-supported activities. Those records shall contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income.
3. Effective control over and accountability for all funds, property and other assets. Grantees shall adequately safeguard all such assets and shall assure that they are used solely for authorized purposes.
4. Accounting records supported by source documentation.

N. Retain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least three years after grant closing except that the records shall be retained beyond the three-year period if audit findings have not been resolved. Microfilm or photo copies or similar methods may be substituted in lieu of original records. The Grantor and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the Grantee's government which are pertinent to the specific grant program for the purpose of making audits, examinations, excerpts and transcripts.

O. Provide information as requested by the Grantor to determine the need for and complete any necessary Environmental Impact Statements.

P. Provide an audit report prepared in accordance with Grantor regulations to allow the Grantor to determine that funds have been used in compliance with the proposal, any applicable laws and regulations and this Agreement.

Q. Agree to account for and to return to Grantor interest earned on grant funds pending their disbursement for program purposes when the Grantee is a unit of local government. States and agencies or instrumentality's of states shall not be held accountable for interest earned on grant funds pending their disbursement.

R. Not encumber, transfer or dispose of the property or any part thereof, furnished by the Grantor or acquired wholly or in part with Grantor funds without the written consent of the Grantor except as provided in item K above.

S. To include in all contracts for construction or repair a provision for compliance with the Copeland "Anti-Kick Back" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR, Part 3). The Grantee shall report all suspected or reported violations to the Grantor.

T. To include in all contracts in excess of \$100,000 a provision that the contractor agrees to comply with all the requirements of the Clean Air Act (42 U.S.C. §7414) and Section 308 of the Water Pollution Control Act (33 U.S.C. §1318) relating to inspection, monitoring, entry, reports, and information, as well as all other requirements specified in Section 114 of the Clean Air Act and Section 308 of the Water Pollution Control Act and all regulations and guidelines issued thereunder after the award of the contract. In so doing the Contractor further agrees:
[Revision 1, 11/20/1997]

1. As a condition for the award of contract, to notify the Owner of the receipt of any communication from the Environmental Protection Agency (EPA) indicating that a facility to be utilized in the performance of the contract is under consideration to be listed on the EPA list of Violating Facilities. Prompt notification is required prior to contract award.

2. To certify that any facility to be utilized in the performance of any nonexempt contractor subcontract is not listed on the EPA list of Violating Facilities pursuant to 40 CFR Part 32 as of the date of contract award.
[Revision 1, 11/20/97]

3. To include or cause to be included the above criteria and the requirements in every nonexempt subcontract and that the Contractor will take such action as the Government may direct as a means of enforcing such provisions.

As used in these paragraphs the term "facility" means any building, plan, installation, structure, mine, vessel or other floating craft, location, or site of operations, owned, leased, or supervised by a Grantee, cooperator, contractor, or subcontractor, to be utilized in the performance of a grant, agreement, contract, subgrant, or subcontract. Where a location or site of operation contains or includes more than one building, plant, installation, or structure, the entire location shall be deemed to be a facility except where the Director, Office of Federal Activities, Environmental Protection Agency, determines that independent facilities are co-located in one geographical area.

Grantor Agrees That It:

A. Will make available to Grantee for the purpose of this Agreement not to exceed \$ 2,950,000.00 which it will advance to Grantee to meet not to exceed 33.0% percent of the project development costs of the project in accordance with the actual needs of Grantee as determined by Grantor.

B. Will assist Grantee, within available appropriations, with such technical assistance as Grantor deems appropriate in planning the project and coordinating the plan with local official comprehensive plans for sewer and water and with any State or area plans for the area in which the project is located.

C. At its sole discretion and at any time may give any consent, deferment, subordination, release, satisfaction, or termination of any or all of Grantee's grant obligations, with or without valuable consideration, upon such terms and conditions as Grantor may determine to be (1) advisable to further the purpose of the grant or to protect Grantor's financial interest therein and (2) consistent with both the statutory purposes of the grant and the limitations of the statutory authority under which it is made.

Termination of This Agreement

This Agreement may be terminated for cause in the event of default on the part of the Grantee as provided in paragraph 1 above or for convenience of the Grantor and Grantee prior to the date of completion of the grant purpose. Termination for convenience will occur when both the Grantee and Grantor agree that the continuation of the project will not produce beneficial results commensurate with the further expenditure of funds.

In witness whereof Grantee on the date first above written has caused these presence to be executed by its duly authorized

Mayor

and attested and its corporate seal affixed by its duly authorized

Manuel Collins, Acting Recorder

Attest:

By Thomas C. Hatcher

Thomas Hatcher

(Title) Mayor

By Manuel Collins

Manuel Collins

(Title) Acting Recorder

UNITED STATES OF AMERICA

RURAL UTILITIES SERVICE

By Rose Mary Christian Rural Development Specialist 6/25/99
Rose Mary Christian (Title)

CITY OF WAR, WEST VIRGINIA

BOND ORDINANCE

ORDINANCE AUTHORIZING THE CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS FOR THE PUBLIC SEWER SYSTEM OF THE CITY OF WAR, WEST VIRGINIA, AT A COST ESTIMATED TO BE APPROXIMATELY \$7,700,000; AND THE FINANCING OF THE COST THEREOF THROUGH THE ISSUANCE BY THE CITY OF \$970,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1999A (WEST VIRGINIA INFRASTRUCTURE FUND), AND \$500,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1999B (UNITED STATES DEPARTMENT OF AGRICULTURE), WITH BOND PROCEEDS TO BE USED, ALONG WITH OTHER FUNDS AND MONEYS OF, OR AVAILABLE TO, THE CITY OF WAR WHICH MAY BE LAWFULLY EXPENDED FOR SUCH PURPOSES, TO FUND RESERVE ACCOUNTS FOR SUCH BONDS, TO PROVIDE FOR CAPITALIZED INTEREST DURING CONSTRUCTION, AND TO PAY OTHER COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE OWNERS OF SUCH BONDS; APPROVING AND RATIFYING A LOAN AGREEMENT AND LETTER OF CONDITIONS RELATING TO SUCH BONDS; PLEDGING NET REVENUES, ON A PARITY BASIS, AS SECURITY FOR THE BONDS; PLACING LIMITATION ON SALE OF SYSTEM; APPROVING INTERIM FINANCING; AND AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Ordinance. This Ordinance (together with any ordinance, order or resolution supplemental hereto or amendatory hereof, the "Ordinance") is enacted pursuant to the provisions of Chapter 16, Article 13 and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), and other applicable provisions of law.

Section 1.02. Findings. It is hereby found, determined and declared that:

A. The City of War (the "Issuer") is a municipal corporation and political subdivision of the State of West Virginia in McDowell County.

B. The Issuer desires to have improvements to an existing sewer system constructed. Therefore, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer and surrounding areas that there be constructed additions to the existing wastewater collection

system and treatment facility to serve the Issuer, with provisions to serve the area of Upper Yukon, Yukon and Cavetta in the future. The proposed improvements will consist of approximately 55,000 linear feet of gravity sewer main, 3,500 linear feet of force main, 490 linear feet of highway crossing, 550 linear feet of railroad crossing, 740 linear feet of river/creek crossing, 8 pumping stations, a 0.219 MGD secondary sewage treatment facility, and related property and equipment (the "Project") which constitute properties for the collection and/or transportation, purification and disposal of liquid or solid wastes, sewage or industrial wastes (the existing and proposed sewer facilities of the Issuer, the Project and any further additions thereto or extensions thereof is herein called the "System") at an estimated cost of \$7,700,000 to acquire, construct and equip the Project, in accordance with the plans and specifications to be prepared by the Consulting Engineers, which plans and specifications will be filed with the Issuer.

C. The Issuer and the West Virginia Division of Environmental Protection have entered into a Consent Decree in a civil action pending before the Circuit Court of McDowell County, Civil Action No. 93-C-737-S, which provides for the construction of a sewage treatment facility.

D. In accordance with Section 18 of Chapter 16, Article 13 of the West Virginia Code of 1931, as amended, the System will be under the supervision and control of the Sanitary Board of the Issuer (the "Board"). The Board has approved and delivered a Petition to the Issuer directing the enactment of this Ordinance and the issuance of the Bonds, as hereinafter defined.

E. The estimated revenues being and to be derived in each year from the Project and the System will be sufficient to pay the costs of said System, the principal of and interest on the Bonds and all sinking funds, reserve accounts and other payments provided for herein and all as such terms are hereinafter defined.

F. The Issuer is the beneficiary of a Small Cities Block grant in the amount of \$1,250,000, a West Virginia Infrastructure and Jobs Development Council ("IJDC") grant in the amount of \$3,000,000, and a United States Department of Agriculture, Rural Utilities Service ("RUS") grant in the amount of \$1,850,000 (collectively, the "Grants"), the proceeds of which, together with the Issuer's contribution of \$130,000, and the proceeds of the Bonds, will be used to acquire, construct and equip the Project.

G. It is deemed necessary for the Issuer to issue its Sewer Revenue Bonds in the total aggregate principal amounts of \$970,000 and \$500,000, respectively, to finance the cost of the acquisition, construction and equipping of the Project.

H. A portion of the Series 1999A Bond proceeds will be used to redeem that certain City of War, Sewer Revenue Bond, Series 1996, which, as of December 31, 1998, was outstanding in the principal amount of \$439,191.00.

I. The estimated maximum cost of the acquisition, construction and equipping of the Project is \$7,700,000, all of which will be obtained from the sale of the Bonds and from grants to be

made available to the City. The cost of such acquisition, construction and equipping shall be deemed to include but not limited to the cost of preparing drawings, plans and specifications detailing the Project and all attendant expenses; amounts which may be deposited in the Series 1999 Bond Reserve Accounts; engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees of RUS, IJDC or the Authority (as hereinafter defined), discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, and the performance of the things herein required or permitted in connection with any thereof; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Bonds or the repayment of indebtedness incurred by the Issuer for acquisition, construction and equipping purposes shall be deemed Costs of the Project, as hereinafter defined.

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

K. The Issuer has completed and filed with the Authority and the West Virginia Infrastructure and Jobs Development Council ("IJDC") an Application for a Loan with attachments and exhibits and will file an Amended Application for a Loan also with attachments and exhibits (together, as further revised and supplemented, the "Application"), and upon review thereof, the Authority and IJDC have indicated their willingness to lend the Issuer \$970,000 through the purchase of revenue bonds of the Issuer with moneys held in the Fund, hereinafter defined, subject to the Issuer's satisfaction of certain legal and other requirements of the Program, hereinafter defined.

L. The Issuer has received a Letter of Conditions dated December 17, 1997, from the United States Department of Agriculture, Rural Utilities Service ("RUS") with exhibits and attachments (the "Letter of Conditions"), as may be amended, in which RUS has indicated its willingness to lend the Issuer \$500,000 through the purchase of revenue bonds of the Issuer.

M. It is in the best interests of the Issuer that its Series 1999A Bonds be sold to the Authority pursuant to the terms and provisions of the Loan Agreement entered into among the Issuer, IJDC and the Authority, and that the Series 1999B Bonds be sold to RUS pursuant to the terms and provisions of the Letter of Conditions issued by RUS to the Issuer, as amended.

N. The Issuer has complied with all requirements of West Virginia law relating to authorization of the acquisition, construction and equipping of the Project and issuance of the Bonds, and will comply prior to the issuance of any additional indebtedness, including, among other things, the obtaining of a Certificate of Convenience and Necessity from the Public Service Commission of West Virginia by final order, if necessary, the time for rehearing and appeal of which will either have expired prior to the issuance of the Bonds or such final order will not be subject to appeal. The Issuer has received the approval of IJDC.

O. The Issuer is a governmental unit which has general taxing powers to finance operations of or facilities of the nature of the Project and System, and the Issuer, all subordinate entities, all entities which issue obligations on behalf of the Issuer, and all entities formed or, to the extent provided under Section 148 of the Code, herein defined, availed of, to avoid the purposes of Section 148(f)(4)(C) of the Code and all other entities benefiting thereby reasonably expect to issue less than \$5,000,000 aggregate principal amount of tax-exempt obligations during the calendar year in which the Bonds for the construction phase are to be issued.

Section 1.03. Ordinance Constitutes Contract. In consideration of the acceptance of the Bonds by those who shall be the registered owners of the same from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the registered owners of any and all of such Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

"Act" means Chapter 16, Article 13 and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended and in effect on the date of enactment hereof.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Series 1999A Bonds, or any other agency of the State of West Virginia that succeeds to the functions of the Authority.

"Authorized Officer" means the Mayor of the Issuer or any acting Mayor duly appointed by the Governing Body.

"Board" means the Sanitary Board of the Issuer, as created and appointed by ordinance enacted by the Governing Body of the Issuer pursuant to the provisions of Section 18 of the Act, and any successor thereto.

"Bondholder," "Holder of the Bonds," "Holder" or any similar term whenever used herein with respect to an outstanding Bond or Bonds, means the person in whose name such Bond is registered.

"Bond Registrar" means the bank or other entity designated herein or in any Supplemental Resolution and its successors and assigns.

"Bond Year" means the 12-month period beginning on the anniversary of the Closing Date in each year and ending on the day prior to the anniversary date of the Closing Date in the following year except that the first Bond Year shall begin on the Closing Date.

"Bonds" means the \$970,000 and \$500,000 in aggregate principal amounts of City of War, Sewer Revenue Bonds, Series 1999A (West Virginia Infrastructure Fund) and Series 1999B (United States Department of Agriculture), respectively, issued for the purpose of acquiring, constructing and equipping the Project, and any bonds on a parity therewith authorized to be issued hereunder.

"Closing Date" means the date upon which there is an exchange of the Bonds for the proceeds representing the purchase of the Bonds by the Authority.

"Code" means the Internal Revenue Code of 1986, as amended, and including all Regulations promulgated pursuant thereto, and any successors thereto.

"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.

"Construction Fund" means the Construction Fund established by Section 4.01 hereof.

"Consulting Engineers" means Draper Aden Associates, Blacksburg, Virginia, or any engineer or firm of engineers that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

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

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"Depository Bank" means the bank designated as such in the Ordinance or in the Supplemental Resolution or letter, and its successors and assigns.

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

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

"Governing Body" means the council of the Issuer or other legally constituted governing body of the Issuer, as may hereafter be constituted.

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

"Grant Agreement" means a written commitment for any Grant, specifying the amount of such Grant, the terms and conditions upon which such Grant is made and the date or dates or event or events upon which such Grant is to be paid to the Issuer.

"Grant Receipts" means all moneys received by the Issuer on account of any Grant.

"Grants" means any grant or grants received by the Issuer in aid of the acquisition and construction of the Project.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided, that "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined, purchased pursuant to Article 7.01 hereof) or any Tap Fees, as hereinafter defined.

"Herein," "hereto" and similar words shall refer to this entire Ordinance.

"IJDC" means the West Virginia Infrastructure and Jobs Development Council, or any other agency of the State of West Virginia that succeeds to the functions of IJDC.

"Independent Certified Public Accountants" shall mean any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the Issuer to prepare an independent annual or special audit of the accounts of the System or for any other purpose except keeping the accounts of the System in the normal operation of its business and affairs.

"Issuer" means the City of War, in McDowell County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Loan Agreement" shall mean the Loan Agreement to be entered into among the Authority, IJDC and the Issuer providing for the purchase of the Bonds from the Issuer by the Authority, the form of which may be approved, and the execution and delivery by the Issuer authorized and directed or ratified herein or by a Supplemental Resolution.

"Mayor" means the Mayor of the Issuer.

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

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

"Operation and Maintenance Fund" means the Operation and Maintenance Fund established by Section 4.01 hereof.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the Costs, fees and expenses of IJDC or the Authority, fiscal agents, the Depository Bank, Registrar and Paying Agent (all as herein defined), other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

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

"Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered except (i) any Bond canceled by the Bond Registrar at or prior to said date; (ii) any Bond for the payment of which moneys, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Article IX hereof; and (iv) for purposes of consents or other action by a specified percentage of Bondholders or any Bonds registered to the Issuer.

"Parity Bonds" means additional Bonds issued under the provisions and within the limitation prescribed by Section 6.08 hereof.

"Paying Agent" means the West Virginia Municipal Bond Commission, its successors and assigns, as to the Series 1999A Bonds.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, or in any activity carried on by a person other than a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, excluding, however, use by a state or local governmental unit and use as a member of the general public. All of the foregoing shall be determined in accordance with the Code, including, without limitation, giving due regard to "incidental use," if any, of the proceeds of the issue and/or proceeds used for "qualified improvements," if any.

"Project" means the acquisition, construction and equipping of certain additions, betterments and improvements for sewer facilities of the Issuer, within or surrounding the City of War and all appurtenant facilities.

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

(a) Government Obligations;

(b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;

(c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;

(d) Any bond, debenture, note, participation certificate or other similar obligations issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;

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

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

(g) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (e) above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as Primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either must mature as nearly as practicable coincident with the maturity of said repurchase agreements or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said repurchase

agreements, and provided further that the holder of such repurchase agreement shall have a prior perfected security interest in the collateral therefor, must have (or its agent must have) possession of such collateral; and such collateral must be free of all claims by third parties;

(h) The West Virginia "consolidated fund" managed by the West Virginia State Investment Management Board pursuant to Chapter 12, Article 6, of the West Virginia Code of 1931, as amended; provided, that investments by such fund on behalf of the Issuer shall be restricted to Qualified Investments other than that described in this paragraph (h); and

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

"Recorder" means the Recorder or Acting Recorder of the Issuer.

"Registered Owner," "Bondholder," "Holder" or any similar term means whenever used herein with respect to an outstanding Bond, the person in whose name such Bond is registered.

"Regulations" means temporary and permanent regulations promulgated under the Code, or any predecessor thereto.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established by Section 4.01 hereof.

"Revenue" or "System Revenue Fund" means the Revenue or System Revenue Fund established by Section 4.01 hereof.

"RUS" means the United States Department of Agriculture, Rural Utilities Service, and its successors and assigns.

"Series 1999A Bonds" means the \$970,000 City of War, Sewer Revenue Bonds, Series 1999A (West Virginia Infrastructure Fund).

"Series 1999B Bonds" means the \$500,000 City of War, Sewer Revenue Bonds, Series 1999B (United States Department of Agriculture).

"Series 1999 Bonds Reserve Accounts" means the Series 1999A and Series 1999B Bonds Reserve Accounts established in the Series 1999 Bonds Sinking Funds pursuant to Section 4.02 hereof.

"Series 1999 Bonds Reserve Requirements" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the 1999 Bonds in the then

current or any succeeding year.

"Series 1999 Bonds Sinking Funds" means the Series 1999A and Series 1999B Bonds Sinking Funds established by Section 4.02 hereof.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution, ordinance or order of the Issuer supplementing or amending this Ordinance.

"Surplus Revenues" means the Net Revenues not required by the Ordinance to be set aside and held for the payment of or security for the Bonds, or any other obligations of the Issuer, including the Renewal and Replacement Fund, and the Series 1999 Bonds Reserve Accounts, the proceeds of which Bonds or other obligations are to be used to pay Costs of the Project.

"System" means all facilities and other property of every nature, real and personal, now or hereafter owned, held or used in connection with the sewer system; and shall also include any and all additions, extensions, improvements, properties, or other facilities at any time acquired or constructed for the sewer system after completion of the Project.

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

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

ARTICLE II

AUTHORIZATION OF CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Construction of the Project. There is hereby authorized the acquisition, construction and equipping of the Project, at an estimated cost of \$7,700,000 in accordance with plans and specifications to be prepared by the Consulting Engineers and filed in the office of the Governing Body. The proceeds of the Bonds hereby authorized shall be applied as provided in Article IV hereof. The Issuer has received bids and has entered or will enter into contracts for the acquisition, construction and equipping of the Project, compatible with the financing plan submitted to IJDC and RUS.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENT

Section 3.01. Authorization of Bonds. For the purposes of paying for acquisition, construction and equipping of the Project not otherwise provided for and paying certain costs of issuance of the Bonds and related costs, or any other purposes as determined by a Supplemental Resolution, there shall be issued negotiable Bonds of the Issuer, in the aggregate principal amounts of \$970,000 and \$500,000, respectively, for acquisition, construction and equipping of the Project. Said Bonds shall be issued and designated, "Sewer Revenue Bonds, Series 1999A (West Virginia Infrastructure Fund) and Sewer Revenue Bonds, Series 1999B (United States Department of Agriculture)", in the aggregate principal amounts of \$970,000 and \$500,000, respectively, and shall have such terms as set forth hereinafter or in a Supplemental Resolution. The proceeds of the Bonds remaining after funding of the Series 1999 Bonds Reserve Accounts (if funded from Bond proceeds) shall, subject to Section 5.02 hereof, be deposited in or credited to the Construction Fund established by Section 4.01 hereof.

Section 3.02. Terms of Bonds. The Bonds shall be registered and numbered AR-1 and BR-1. The Bonds shall bear interest, if any, beginning _____ 1, _____. The Bonds shall bear interest at such rate or rates, not exceeding zero percent (0%) per annum, as to the Series 1999A Bonds, and four and one half percent (4.5%) per annum, as to the Series 1999B Bonds, payable _____; shall mature in forty (40) years; and shall be redeemable in whole or in part, all as prescribed herein. The Bonds shall be payable as to principal and interest, if any, at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Bonds shall be paid by check or draft of the Paying Agent mailed to the registered owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by a Supplemental Resolution, the Bonds shall be issued in the form of two single bonds, fully registered to the Authority and to the United States of America, with a debt service schedule attached, representing the aggregate principal amount, and shall mature in principal installments, as provided in said Bonds. The Bonds shall be exchangeable at the option and expense of the Holders for other fully registered Bonds of the same series Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority and the United States of America shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds shall be issued in fully registered form and in denominations and at such interest rates and shall be payable as determined by a new Bond Ordinance.

Section 3.03. Execution of Bonds. The Bonds shall be executed in the name of the Issuer by the Mayor, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested

by the Recorder. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Bonds shall be valid or obligatory for any purpose or entitled to any security or benefit under this Ordinance unless and until the Certificate of Authentication and Registration on such Bonds, substantially in the form set forth in Section 3.09 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bonds shall be conclusive evidence that such Bonds have been authenticated, registered and delivered under this Ordinance. The Certificate of Authentication and Registration on any Bonds shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting any of said Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Bonds remain outstanding, the Bond Registrar shall keep and maintain books for the registration and transfer of the Bonds.

The registered Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Bonds or transferring the registered Bonds are exercised, Bonds shall be delivered in accordance with the provisions of this Ordinance. All Bonds surrendered in any such exchanges or transfers shall forthwith be canceled by the Bond Registrar. For every such exchange or transfer of Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of

Bonds during the period commencing on the 15th day of the month preceding an interest payment date on the Bonds or, in the case of any proposed redemption of Bonds, next preceding the date of the selection of Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be canceled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided and amounts, if any, in the Series 1999 Bond Reserve Accounts. No holder or holders of any of the Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Bonds or the interest thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Bonds shall be secured by a lien on the Net Revenues derived from the System. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Bonds and to make the payments into the Series 1999 Bond Sinking Fund, the Series 1999 Bond Reserve Account therein and the Renewal and Replacement Fund, hereinafter established, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due.

Section 3.09. Form of Bonds. The text of the Bonds shall be in substantially the following forms, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution or Ordinance adopted prior to the issuance thereof:

(FORM OF SERIES 1999A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
THE CITY OF WAR
SEWER REVENUE BOND,
SERIES 1999A
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-1
\$970,000

Date: April __, 1999

KNOW ALL MEN BY THESE PRESENTS: That THE CITY OF WAR, WEST VIRGINIA, a municipal corporation and political subdivision of the State of West Virginia in McDowell County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the order of the West Virginia Water Development Authority (the "Authority") or registered assigns, the sum of Nine Hundred Seventy Thousand and 00/100 Dollars (\$970,000.00), or such lesser amount as set forth on the Record of Advances attached as Exhibit A hereto and incorporated herein by reference, plus interest on the unpaid principal balance hereof at the rate set out below. Interest on this Bond is set at zero percent (0%) per annum. Principal on the Bond is payable in quarterly installments commencing _____ 1, 200_, and thereafter in quarterly installments on each March 1, June 1, September 1 and December 1, as set forth on the "Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference. Notwithstanding any provision of this Bond to the contrary, this Bond shall evidence only the indebtedness reflected as outstanding on the Record of Advances attached hereto.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). Principal on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of McDowell County National Bank in Welch, Welch, West Virginia (the "Registrar"), on the 15th day of the month next preceding such payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole at par, but only upon thirty (30) days prior written notice to the Authority and the West Virginia Infrastructure and Jobs Development Council ("IJDC") and upon the terms and conditions prescribed by and otherwise in compliance with the Loan Agreement by and among the Issuer, the Authority and IJDC.

This Bond is issued (i) to pay a portion of the costs of acquisition, construction and equipping of certain additions, betterments and improvements to the public sewer facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance hereof and related costs. The sewer system of

the Issuer, together with the Project, and any further extensions, additions, betterments or improvements thereto is herein called the "System". This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13 and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (the "Act"), and an Ordinance duly adopted and enacted by the Issuer and effective _____, 1999 (the "Ordinance"), and is subject to all the terms and conditions thereof. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bond under the Ordinance.

This Bond is payable only from and secured by a parity pledge of the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System, from moneys in the Series 1999A Bonds Reserve Account created under the Ordinance for the Bonds (the "Series 1999A Bonds Reserve Account") and unexpended proceeds of the Bonds on a parity with the Issuer's Sewer Revenue Bonds, Series 1999B (United States Department of Agriculture) (the "Series 1999B Bonds"). Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1999A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System and to leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount payable in any year for principal of and interest on the Bonds and the Series 1999B Bonds, and all other obligations secured by a lien on or payable from such net revenues prior to or on a parity with the Bonds, provided however, that so long as there exists in the Series 1999A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds and the Series 1999B Bonds in the then current or any succeeding year and in the reserve account established for any other obligations outstanding prior to or on a parity with the Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to one hundred ten percent (110%). The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Ordinance. Remedies provided the registered owners of the Bonds are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Ordinance, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to the registration requirements set forth herein, this Bond, under the provision of the Act, is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project described in the Ordinance and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the owner of this Bond.

In accordance with the requirements of the United States Department of Agriculture for the issuance of parity obligations, the Bonds will be in default should any proceeds of the Bonds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

All provisions of the Ordinance, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S SEWER REVENUE BONDS, SERIES 1999B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED _____, 1999, ISSUED CONCURRENTLY HERewith IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$500,000 (THE "SERIES 1999B BONDS").

IN WITNESS WHEREOF, THE CITY OF WAR has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto affixed and attested by its Recorder and has caused this Bond to be dated _____, 1999.

THE CITY OF WAR, WEST VIRGINIA

[SEAL]

By: _____
Mayor

ATTEST:

Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is the Series 1999A Bond described in the within-mentioned Ordinance and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 1999

MCDOWELL COUNTY NATIONAL BANK IN WELCH

By: _____
Trust Officer

EXHIBIT A

RECORD OF ADVANCES

<u>AMOUNT</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>DATE</u>
(1) \$ _____		(6) \$ _____	
(2) \$ _____		(7) \$ _____	
(3) \$ _____		(8) \$ _____	
(4) \$ _____		(9) \$ _____	
(5) \$ _____		(10) \$ _____	
TOTAL \$ _____			

EXHIBIT B

DEBT SERVICE SCHEDULE

ASSIGNMENT

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

Dated: _____, 20__.

(Assignor)

Witnessed in the presence of:

(FORM OF SERIES 1999B BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
THE CITY OF WAR
SEWER REVENUE BOND,
SERIES 1999B
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. BR-1
\$500,000

Date: April __, 1999

FOR VALUE RECEIVED, THE CITY OF WAR, WEST VIRGINIA, a municipal corporation and political subdivision of the State of West Virginia in McDowell County of said State (herein called "Issuer"), hereby promises to pay to the order of the United States of America (the "Government") or its registered assigns at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of Five Hundred Thousand and 00/100 Dollars (\$500,000), plus interest on the unpaid principal balance at the rate of four and one half percent (4.5%) per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing on the 30th day following delivery of the Series 1999B Bond and continuing on the corresponding day of each month for the first twenty-four (24) months after the date hereof, and \$2,295.00 covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of forty (40) years from the date of this Series 1999B Bond, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

Every payment made on any indebtedness evidenced by this Series 1999B Bond shall be applied first to interest computed to the effective date of the payment and then to the principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Issuer. Refunds and extra payments, as defined in the regulations of the Rural Development, acting on behalf of the Rural Utilities Service, according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Series 1999B Bond and shall not affect the obligation of Issuer to pay the remaining installments as scheduled herein.

If the Government at any time assigns this Series 1999B Bond and insures the payment thereof, Issuer shall continue to make payments to the Government as collection agent for the holder.

While this Series 1999B Bond is held by an insured lender, prepayments as above authorized made by Issuer may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Issuer, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by Issuer, and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

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

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

This Series 1999B Bond, together with the Issuer's Sewer Revenue Bonds, Series 1999A (West Virginia Infrastructure Fund) (the "Series 1999A Bonds") and any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing a portion of the costs of construction of improvements to a sewer system (the "System") of the Issuer, are payable solely from the revenues to be derived from the operation of the System after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Series 1999B Bond does not in any manner constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation.

Registration of this Series 1999B 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 McDowell County National Bank in Welch, Welch, West Virginia, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Bond Ordinance enacted by the Issuer on April 19, 1999, and upon surrender and cancellation of

this Series 1999B Bond. Upon such transfer a new Series 1999B Bond or Bonds, of authorized denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

This Series 1999B 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 Series 1999B Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13 of the West Virginia Code (herein called the "Act").

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

This Series 1999B Bond is given as evidence of a loan to Issuer made or insured by the Government pursuant to the Consolidated Farmers Home Rural Development Act, as amended. This Bond shall be subject to the present regulations of the Rural Development, acting on behalf of the Rural Utilities Service, and to its future regulations not inconsistent with the express provisions hereof.

THIS SERIES 1999B BOND IS ON A PARITY AS TO LIEN AND SOURCE OF PAYMENT WITH THE SEWER REVENUE BOND, SERIES 1999A (WEST VIRGINIA INFRASTRUCTURE FUND), OF THE ISSUER DESCRIBED IN THE ORDINANCE ISSUED WITH RESPECT TO SUCH SERIES.

The initial address of United States Department of Agriculture-Rural Development for purposes of bond registration is P.O. Box 678, Morgantown, WV 26505.

This Series 1999B Bond will be in default should any proceeds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as set forth in Exhibit M of subpart G of Part 1940 of Title 7 of the Code of Federal Regulations, as amended.

IN WITNESS WHEREOF, the CITY OF WAR has caused this Series 1999B Bond to be executed by its Mayor and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Recorder, all as of the date hereinabove written.

CITY OF WAR

(SEAL)

By: _____

Mayor
P.O. Box 280
War, WV 24892

ATTEST:

By: _____
Recorder

RECORD OF ADVANCES

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

TOTAL \$ _____

(Form of Assignment)

ASSIGNMENT

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

DATED: _____

In the presence of:

Section 3.10. Sale of Bonds; Ratification of Execution of Loan Agreement with Authority and IJDC; Acceptance of Letter of Conditions from USDA; Incorporation of Terms. The Series 1999A Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement, and the Series 1999B Bonds shall be sold to the United States of America (the "Government"), pursuant to the terms and conditions of the Letter of Conditions. If not so authorized by previous ordinance or resolution, the Mayor is specifically authorized and directed to execute the Loan Agreement and the Letter of Conditions in substantially the forms attached hereto as "Exhibit A" and made a part hereof, with such changes, insertions and omissions as may be approved by the Mayor, the execution of which shall be conclusive evidence of such approval, and the Recorder is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to IJDC and the Authority, and any such prior execution and delivery is hereby authorized, ratified and approved. The Loan Agreement, as the same may be amended and/or supplemented, and the terms and provisions thereof are herein incorporated by reference thereto.

Section 3.11. Certificate of Consulting Engineers. Prior to the issuance of the Bonds, the Issuer must obtain the certificate of the Consulting Engineers in the form attached to the Loan Agreement to the effect that the Project will be constructed in accordance with the approved plans and specifications as submitted to IJDC and the Authority, as the case may be, the Project is or will be adequate for the purposes for which it was designed, and the funding plan as submitted to IJDC and the Authority is sufficient to pay the costs of the acquisition and construction of the Project.

Section 3.12. "Amended Schedule A" Filing. Within sixty (60) days following the design and engineering Completion Date, the Issuer will file with the Authority a schedule in substantially the form of the "Amended Schedule A" to the Loan Agreement, setting forth the actual costs of the acquisition, construction and equipping of the Project and sources of funds thereof.

ARTICLE IV

FNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 4.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created or continued 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 or System Revenue Fund;
- (2) Operation and Maintenance Fund;
- (3) Renewal and Replacement Fund; and
- (4) Construction Fund.

Section 4.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created or continued with the Commission or the Depository

or

Section 3.10. Sale of Bonds; Ratification of Execution of Loan Agreement with Authority and IJDC; Acceptance of Letter of Conditions from USDA; Incorporation of Terms. The Series 1999A Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement, and the Series 1999B Bonds shall be sold to the United States of America (the "Government"), pursuant to the terms and conditions of the Letter of Conditions. If not so authorized by previous ordinance or resolution, the May is specifically authorized and directed to execute the Loan Agreement and the Letter of Conditions in substantially the forms attached hereto as "Exhibit A" and made a part hereof, with such changes, insertions and omissions as may be approved by the Mayor, the execution of which shall be conclusive evidence of such approval, and the Recorder is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to IJDC and the Authority, and any such prior execution and delivery is hereby authorized, ratified and approved. The Loan Agreement, as the same may be amended and/or supplemented, and the terms and provisions thereof are herein incorporated by reference thereto.

Section 3.11. Certificate of Consulting Engineers. Prior to the issuance of the Bonds, the Issuer must obtain the certificate of the Consulting Engineers in the form attached to the Loan Agreement to the effect that the Project will be constructed in accordance with the approved plans and specifications as submitted to IJDC and the Authority, as the case may be, the Project is or will be adequate for the purposes for which it was designed, and the funding plan as submitted to IJDC and the Authority is sufficient to pay the costs of the acquisition and construction of the Project.

Section 3.12. "Amended Schedule A" Filing. Within sixty (60) days following the design and engineering Completion Date, the Issuer will file with the Authority a schedule in substantially the form of the "Amended Schedule A" to the Loan Agreement, setting forth the actual costs of the acquisition, construction and equipping of the Project and sources of funds thereof.

ARTICLE IV

FNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 4.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are created or continued 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 or System Revenue Fund;
- (2) Operation and Maintenance Fund;
- (3) Renewal and Replacement Fund; and
- (4) Construction Fund.

Section 4.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created or continued with the Commission or the Depository

Bank.

(1) Series 1999A and Series 1999B Bonds Sinking Funds;

(a) Within the Series 1999A and Series 1999B Bonds Sinking Funds, the Series 1999A and Series 1999B Bonds Reserve Accounts.

Section 4.03. System Revenues: Flow of Funds.

A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the System Revenue Fund established herein. The Revenue Fund shall constitute a trust fund for the purposes provided in this Ordinance and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided.

(1) The Issuer shall first each month transfer from the Revenue Fund to the Operation and Maintenance Fund the amount necessary and sufficient to pay current Operating Expenses.

(2) (a) The Issuer shall, beginning on the date set forth in Exhibit B to the Bonds in order to provide debt service on the Series 1999A Bonds, shall deposit in the Series 1999A Sinking Fund one-third (1/3) of the interest payment next coming due on the Series 1999A Bonds and one-third (1/3) of the principal payment next coming due on the Series 1999A Bonds beginning three (3) months prior to the first date of payment of principal of the Series 1999A Bonds. The Issuer shall submit payments monthly to the Commission with instructions that the Commission will make quarterly payments to the Authority at such addresses as are given to the Commission in writing by the Authority. The Issuer shall instruct the Commission to notify the Authority of any monthly payments which are not received by the 20th day of the month in which the payment was due.

(2) (b) The Issuer shall next, each month, on or before the date of payment of each installment on the Series 1999B Bonds, transfer from the Revenue Fund and remit to the National Finance Office designated in the Series 1999B Bond (or such other place as may be provided pursuant to the Series 1999B Bond), the amount required to pay the interest on the Series 1999B Bond, and to amortize the principal of the Series 1999B Bonds over the life of the Series 1999B Bond. All payments with respect to principal of and interest the Series 1999B Bonds shall be made on an equal pro rata basis in accordance with the respective aggregate principal amount thereof outstanding and on a parity with the Series 1999A Bonds. There is hereby created a sinking fund at the Depository Bank into which the Issuer shall deposit sufficient amounts from the Revenue Fund to pay the interest on the Series 1999B Bonds and to amortize the principal of the Series 1999B Bond over the remaining life of the Series 1999B Bond. As long as the Government owns the Series 1999B Bonds, such deposits can be

replaced by the remittances described above.

(3) (a) The Issuer shall next, on the first day of each month, commencing three (3) months prior to the first date of payment of principal of the Series 1999A Bonds, if not fully funded upon issuance of the Series 1999A Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit into the Series 1999A Bonds Reserve Account, an amount equal to 1/120 of the Series 1999A Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1999A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1999A Bonds Reserve Requirement.

(3) (b) The Issuer shall next, on each date that payment is made as set forth in (2) (b) above, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Series 1999B Bonds Reserve Account 1/120th of the amount, as of the date of calculation, equal to the maximum aggregate amount of principal and interest which will become due on the Series 1999B Bonds in any year until the amount in the Series 1999B Bonds Reserve Account equals such maximum amount (the "Series 1999B Bonds Reserve Requirement"). After the Series 1999B Reserve Fund Requirement has been accumulated in the Series 1999B Bonds Reserve Account, the Issuer shall monthly deposit into the Reserve Fund such part of the moneys remaining in the Revenue Fund, after such provision for payment of monthly installments on the Series 1999B Bonds and for payment of Operating Expenses of the System, as shall be required to maintain the Series 1999B Bonds Reserve Requirement. Moneys in the Series 1999B Bonds Reserve Account shall be used solely to make up any deficiency in monthly payments of the principal of and interest on the Series 1999B Bonds as the same shall become due or for prepayment of installments on the Series 1999B Bonds, or for mandatory prepayment of the Series 1999B Bonds as hereinafter provided, and for no other purpose, on an equal pro rata basis in accordance with the respective aggregate principal amounts thereof outstanding and on a parity with each other.

(4) From the moneys remaining in the Revenue Fund, the Issuer shall next, transfer to the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any reserve account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in the Series 1999 Bond Reserve Accounts [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof,] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

With respect to the payments made by the Issuer under Section 4.03 (1) through (4) above which relate to the Series 1999A Bonds, the Issuer shall complete the Monthly Payment Form described in the Loan Agreement and submit a copy of said form and the check or checks representing such payments to the Authority by the 5th day of such calendar month.

Moneys in the Series 1999 Bonds Sinking Funds shall be used only for the purposes of paying principal of and interest, if any, as the same shall become due. Moneys in the Series 1999 Bond Reserve Accounts shall be used only for the purpose of paying principal of and interest on the Bonds, as the same shall come due, when other moneys in the attendant Series 1999 Bonds Sinking Funds are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 1999 Bonds Sinking Funds and Series 1999 Bonds Reserve Accounts shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Construction Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payments, if any, due on the respective Series of Bonds, and then to the next ensuing principal payments due thereon.

Any withdrawals from the Series 1999 Bonds Reserve Accounts which result in a reduction in the balance of the Series 1999 Bonds Reserve Accounts to below the Series 1999 Bonds Reserve Requirements shall be subsequently restored from the first Net Revenues available after all required payments have been made in full, to the Series 1999 Bonds Sinking Funds for payment of debt service on the Bonds.

B. As and when additional bonds ranking on a parity with the Bonds are issued, provision shall be made for additional payments into the respective Sinking Funds sufficient to pay the interest on such additional parity bonds and accomplish retirement thereof at maturity and to accumulate a balance in the appropriate reserve account in an amount equal to the maximum provided and required to be paid into the concomitant Sinking Funds in any year for account of the bonds of such series, including such additional bonds which by their terms are payable from such Sinking Funds.

The Issuer shall not be required to make any further payments into the Series 1999 Bonds Sinking Funds or into the Series 1999 Bonds Reserve Accounts therein when the aggregate amount of funds in said Series 1999 Bonds Sinking Funds and Series 1999 Bonds Reserve Accounts are at least equal to the aggregate principal amount of the Bonds issued pursuant to this Ordinance then Outstanding and all interest to accrue until the maturity thereof.

The Commission is hereby designated as the fiscal agent for the administration of the Series 1999 Bonds Sinking Funds created hereunder, and all amounts required for said Series 1999 Bonds Sinking Funds shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein.

The payments into the Series 1999 Bonds Sinking Funds shall be made on the first day of each month, except that when the first day of any month shall be a Sunday or legal holiday then such

payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Ordinance.

Moneys in the Series 1999 Bonds Reserve Accounts shall be invested and reinvested by the Commission in accordance with Section 7.01 hereof.

The Series 1999 Bonds Sinking Funds, including the Series 1999 Bonds Reserve Accounts therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Bonds and any additional bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

C. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Series 1999 Bonds Sinking Funds, including the Series 1999 Bonds Reserve Accounts therein and the Renewal and Replacement Fund during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Such Surplus Revenues shall be used to redeem the Bonds or for any lawful purposes of the Issuer.

D. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay the Commission's fees, the Registrar's fees, the Paying Agent's fees and the Depository Bank's charges then due.

E. Ameribank is hereby designated the Depository Bank. The Issuer appoints McDowell County National Bank in Welch as Registrar for the Bonds, and the Commission is hereby designated as Paying Agent for the Series 1999A Bonds.

F. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in the Revenue Fund and the Renewal and Replacement Fund shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

G. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this Section 4.03, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

H. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited. If requested in writing by the Authority and LJDC, all remittances may be made by electronic transfer or automatic debit.

I. The Gross Revenues of the System shall only be used for purposes of the System.

J. Any Tap Fees shall be deposited by the Issuer, as received, in the Construction Fund, and following completion of the Project, shall be deposited in the Revenue Fund and may be used for any lawful purpose of the System.

Section 4.04. Excess Bond Proceeds. The Issuer shall place any excess proceeds from the Bonds not required by the Project in the Series 1999 Bonds Reserve Accounts, or as instructed by the Authority, LJDC and RUS.

ARTICLE V

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 5.01. Application of Bond Proceeds. From the moneys received from time to time from the sale of any or all of the Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. The amount of the proceeds which together with the earnings thereon shall be at least sufficient to pay capitalized interest on the Bonds shall be deposited in the Series 1999A and Series 1999B Bonds Sinking Funds; provided, that such period may not exceed beyond the date which is six (6) months after the estimated date of completion of construction of the Project.

B. Next, from the proceeds of the Bonds, there shall be deposited with the Commission in the Series 1999A and Series 1999B Bonds Reserve Accounts the sums, if any, required hereunder for funding the Series 1999 Bonds Reserve Accounts.

C. The remaining moneys derived from the sale of the Bonds shall be deposited by the Issuer as received from time to time in the Construction Fund established hereunder.

D. The Depository Bank shall act as a trustee and fiduciary for the Bondholders with respect to the Construction Fund and shall comply with all requirements with respect to the disposition of the Construction Fund set forth in this Ordinance. Moneys in the Construction Fund shall be used solely to pay Costs of the Project and, until so transferred or expended, are hereby pledged as additional security for the Bonds.

Section 5.02. Disbursements From the Construction Fund. Payments for Costs of the Project shall be made monthly.

On or before the Closing Date, the Issuer shall have delivered to the Authority a report listing the specific purposes for which the proceeds of the Series 1999A Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule. Payments for Costs of the Project shall be made monthly.

Except as provided in Section 5.01 hereof, disbursements from the Construction Fund shall be made only after submission to, and approval from, the Authority and LJDC of the following:

(1) a completed and signed "Payment Requisition Form," the form of which is attached to the Loan Agreement as Exhibit C, and

(2) a certificate, signed by an Authorized Officer and the Consulting Engineers, stating:

(A) That none of the items for which the payment is proposed to be made has formed the basis for any disbursement theretofore made;

(B) That each item for which the payment is proposed to be made is or was necessary in connection with the Project and constitutes a Cost of the Project;

(C) That each of such costs has been otherwise properly incurred;
and

(D) That payment for each of the items proposed is then due and owing.

In case any contract provides for the retention of a portion of the contract price, the Depository Bank shall disburse from the Construction Fund only the net amount remaining after deduction of any such portion. All payments made from the Construction Fund shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Construction Fund. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application, moneys in the Construction Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

Until disbursed by the Issuer, moneys in the Construction Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

After completion of the Project, as certified by the Consulting Engineers, the Depository Bank shall transfer any moneys remaining in the Construction Fund, if any, for application as directed by LJDC.

Section 5.03. Series 1999B Bond Proceeds: Construction Fund. All moneys received from the sale of the Series 1999B Bonds shall be deposited upon receipt by the Issuer in the Depository Bank, a member of Federal Deposit Insurance Corporation (FDIC), in a special account hereby now established and designated as "City of War Sewer System Construction Fund (herein called the "Construction Fund"). The moneys in the Construction Fund in excess of the amount insured by FDIC shall be secured at all times by such bank by securities or in a manner lawful for the securing of deposits of state and municipal funds under West Virginia law. Moneys in the Construction Fund shall be expended by the Issuer solely for the purposes provided herein.

Until completion of the construction of the Project, the Issuer will transfer from the Construction Fund and pay to RUS on or before the due date, such sums as shall be from time to time required to make the monthly installment payments on the Series 1999B Bonds if there are not sufficient Net Revenues to make such monthly payment.

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

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

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

ARTICLE VI

ADDITIONAL COVENANTS OF THE ISSUER

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

Section 6.02. Bonds Not to be Indebtedness of the Issuer. The Bonds shall be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Ordinance. No Holder or Holders of any Bonds shall ever have the right to compel the exercise of the

taxing power of the Issuer to pay said Bonds or the interest thereon.

Section 6.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Bonds issued hereunder shall be secured forthwith by a parity lien on the Net Revenues derived from the operation of the System including the sewage assessment fees collected by the Issuer and imposed by the Sewage Treatment Ordinance approved by the Governing Body of the Issuer on _____, 199_. The Revenues derived from the System, in amounts sufficient to pay the principal of and interest on the Bonds and to make the payments into the Series 1999 Bonds Sinking Funds, including the Series 1999 Bonds Reserve Accounts therein, and all other payments provided for in the Ordinance and the Sewage Treatment Ordinance are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Bonds as the same become due, and for the other purposes provided in the Ordinance.

Section 6.04. Rates. Prior to issuance of the Bonds, equitable rates or charges for the proposed and/or actual use of and service rendered by the System have been or will be established, all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Recorder, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. The Issuer shall take the necessary actions with respect to the imposition of rates at such times and with such provisions with respect to interest rate and maturity of the Bonds to finance the issuance of the Bonds as the purchaser thereof shall require. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient (i) to provide for all reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each Fiscal Year equal to at least one hundred fifteen percent (115%) of the maximum amount required in any succeeding Fiscal Year for payment of principal of and interest on the Bonds; provided that, in the event that amounts at least equal to or in excess of the Reserve Requirements are on deposit in the Series 1999 Bonds Reserve Accounts and the Reserve Accounts for the Bonds are funded at least at the requirement provided for in the Ordinance, such balances each Fiscal Year need only equal at least one hundred ten percent (110%) of the maximum amounts required in any succeeding Fiscal Year for payment of principal of and interest on the Bonds.

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

Upon completion of the Project, the Issuer shall file with the Authority a schedule in substantially the form of Amended Schedule A to the loan application, setting forth the actual costs of the Project and sources of funds therefor.

Section 6.06. Sale of the System. Except as otherwise required by state law, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Outstanding Bonds and effectively defease this Ordinance in accordance with Section 9.01 hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Outstanding Bonds, immediately be remitted to the Commission for deposit in the Series 1999 Bonds Sinking Funds, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Outstanding Bonds. Any balance remaining after the payment of all the Outstanding Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of \$10,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of \$10,000 but not in excess of \$50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of \$10,000 and not in excess of \$50,000, shall with the written consent of the Authority and UDC, be remitted by the Issuer to the Commission for deposit in the Series 1999 Bond Sinking Funds and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the redemption price of such Bonds. Such payment of such proceeds into the Series 1999 Bonds Sinking Funds or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Ordinance. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of \$50,000 and insufficient to pay all Bonds then outstanding without the prior approval and consent in writing of UDC and the Holders, or their duly authorized representatives, of sixty-six and two-thirds percent (662/3%) in

amount of the Bonds then outstanding. The Issuer shall prepare the form of such approval and consent for execution by UDC and the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 6.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 6.07 and in Section 6.08B, the Issuer shall not issue any obligations whatsoever with a lien on or otherwise payable from any source of payment pledged originally whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Bonds. All obligations issued by the Issuer after the issuance of the Bonds and payable from the revenues of the System, except such additional parity bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the Series 1999 Bonds Reserve Accounts and the Renewal and Replacement Fund at the time of the issuance of such subordinate obligations have been made and are current.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Bonds and the interest thereon in this Ordinance, or upon the System or any part thereof.

Section 6.08. Parity Bonds. A. No Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Bonds issued pursuant to this Ordinance, except under the conditions and in the manner herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Bonds and shall be issued with the written consent of the Authority and RUS.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the construction or acquisition of the System or extensions, improvements or betterments to the System or refunding one or more series of Bonds issued pursuant hereto, or both such purposes.

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Recorder a written statement by the Independent Certified Public Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any twelve (12) consecutive months, within the eighteen (18) months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the three (3) succeeding years after the completion of the improvements to be financed by such Parity Bonds, shall not be less than one hundred fifteen percent (115%) of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

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

The "estimated average increased annual Net Revenues to be received in each of the three (3) succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates adopted by the Issuer, the period for appeal of which has expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the Recorder prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the twelve (12) consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Consulting Engineers and the said Independent Certified Public Accountants, as stated in a certificate jointly made and signed by the Consulting Engineers and said Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the period for appeal of which has expired prior to issuance of such Parity Bonds.

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

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

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for

payment from such revenues, with the Bonds.

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in this Ordinance with respect to the Bonds then outstanding, and any other payments provided for in this Ordinance, shall have been made in full as required to the date of delivery of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Ordinance.

B. Notwithstanding the foregoing, the Issuer may issue Parity Bonds without compliance with any other conditions for the purpose of refunding prior to maturity any issues or series of the Bonds, provided that the annual debt service required on account of the refunding Bonds and the Bonds which are not refunded shall not be greater in any year in which the Bonds not refunded and the refunding Bonds are to be Outstanding than the annual debt service required in such year if the Bonds to be refunded were not so refunded.

Section 6.09. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and IJDC and any Holder of a Bond or Bonds issued pursuant to this Ordinance shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

The Issuer shall keep complete and accurate records of the costs of designing the System, acquiring the Project site and acquiring, constructing and installing the Project. The Issuer shall permit the Authority, or its agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at all reasonable times for the purpose of audit and examination. The Issuer shall submit to the Authority such documents and information as it may reasonably require in connection with the design, acquisition, construction and installation of the Project, the operation and maintenance of the System and the administration of the loan or any grants or other sources of financing for the Project.

The Issuer shall permit the Authority, IJDC and the Government, or their agents and representatives, to inspect all records pertaining to the construction and operation of the System at all reasonable times following completion of construction of the Project and commencement of operation thereof, or, if the Project is an improvement to an existing system, at any reasonable time following commencement of construction.

The Issuer shall keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any owner of a Bond or Bonds issued pursuant to the Ordinance shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

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

The Issuer shall file with the Consulting Engineers, IJDC, the Authority and the Government, or any other original purchaser of the Bonds, and shall mail in each year to any Holder or Holders of Bonds requesting the same, an annual report containing the following:

(A) A statement of Gross Revenues, Operating Expenses, Net Revenues and Surplus Revenues derived from and relating to the System.

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Ordinance with respect to said Bonds and the status of all said funds and accounts.

(C) The amount of any Outstanding Bonds or other obligations outstanding and secured by a lien on the Net Revenues of the System.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with the applicable OMB Circular, or any successor thereof, and the Single Audit Act, or any successor thereof, and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of Bonds and shall submit said report to IJDC, the Authority and the Government, or any other original purchaser of the Bonds. Such audit report submitted to the Authority shall include a statement that the Issuer is in compliance with the terms and provisions of the Loan Agreement and this Ordinance and the Act and that Gross Revenues are adequate to meet operation/maintenance expenses and debt service requirements.

The Issuer shall also, during construction of the Project and for two (2) years following the completion of the Project, complete a Monthly Financial Report, the form of which is attached to the Loan Agreement as Exhibit B and made a part hereof, and forward a copy by the 10th of each month to the Authority and IJDC.

The Issuer shall provide IJDC with all appropriate documentation to comply with any special conditions established by federal and/or State regulations as set forth in Exhibit E of the Loan Agreement or as promulgated from time to time.

The Issuer shall permit the Authority and the Government, or its agents and representatives, to enter and inspect the Project site and Project facilities at all reasonable times. Prior

to, during and after completion of construction of the Project, the Issuer shall also provide the Authority and the Government, or its agents and representatives, with access to the plans, drawings, specifications, System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority and the Government with respect to the System pursuant to the Act.

Section 6.10. Compliance With Loan Agreement, Letter of Conditions, Rules and Regulations. The Issuer hereby covenants and agrees to perform and satisfy all terms and conditions of the Loan Agreement and the Letter of Conditions and to comply with all applicable laws, rules and regulations issued by the Authority, IJDC, the Government or other state, federal or local bodies in regard to the construction of the Project and operation, maintenance and use of the System.

Section 6.11. Operating Budget and Audit. The Issuer shall annually, at least forty-five (45) days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated reserves and expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of ten percent (10%) of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall, within thirty (30) days of the adoption thereof, mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to IJDC, the Authority, the Government and to any Holder of any Bond, who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to IJDC and to any Holder of any Bond, or anyone acting for and on behalf of such Holder of any Bonds.

In addition, the Issuer shall annually cause the records of the System to be audited by an Independent Certified Public Accountant, the report of which audit shall be submitted to the Authority and the Government and which audit report shall include a statement that the Issuer is in compliance with the terms and provisions of this Ordinance and the Loan Agreement.

Section 6.12. Engineering Services and Operating Personnel. The Issuer shall provide and maintain competent and adequate resident engineering services satisfactory to the Authority and IJDC covering the supervision and inspection of the construction of the Project and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such resident engineer shall certify to the Authority, IJDC and the Issuer at the completion of construction that construction of the Project is in accordance with the approved plans, specifications and designs, or

amendments thereto, approved by all necessary governmental bodies.

The Issuer shall require the Consulting Engineers to submit the As-Built Plans to it within sixty (60) days of the completion of the Project. The Issuer shall notify LJDC in writing of such receipt. The Issuer shall submit a "Performance Certificate," the form of which is attached to the Loan Agreement as Exhibit A, to LJDC within sixty (60) days of the end of the first year after the Project is completed.

The Issuer shall require the Consulting Engineers to submit the final Operation and Maintenance Manual to LJDC when the Project is ninety percent (90%) completed.

The Issuer agrees that qualified operating personnel properly certified by the State will be employed before the Project is twenty-five percent (25%) complete and agrees that it will retain such a certified operator(s) to operate the System during the entire term of the Loan Agreement. The Issuer shall notify LJDC in writing of the certified operator employed at the twenty-five percent (25%) completion stage.

Section 6.13. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 6.14. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of thirty (30) days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid, to the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia. Rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System and any services and facilities of the water system, if so owned by the Issuer, to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services of either system until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 6.15. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 6.16. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as any of the Bonds remain Outstanding, the Issuer and its contractors and subcontractors will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, ON ALL above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

(2) PUBLIC LIABILITY INSURANCE, with limits of not less than \$1,000,000 per occurrence to protect the Issuer from claims for bodily injury and/or death and not less than \$500,000 per occurrence from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System.

(3) WORKERS' COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT BONDS, such bonds to be in the amounts of one hundred percent (100%) of the construction contract and to be required of each contractor contracting directly with the Issuer, and such payment bonds will be filed with the Clerk of The County Commission of the County in which such work is to be performed prior to commencement of construction of the Project in compliance with West Virginia Code, Chapter 38, Article 2, Section 39.

(4) FLOOD INSURANCE, to the extent available at reasonable cost to the Issuer.

(5) BUSINESS INTERRUPTION INSURANCE, to the extent available at reasonable cost to the Issuer.

B. The Issuer shall require all contractors engaged in the construction of the Project to furnish a performance bond and a payment bond, each in an amount equal to one hundred percent (100%) of the contract price of the portion of the Project covered by the particular contract as security for the faithful performance of such contract.

C. The Issuer shall also require all contractors engaged in the construction of the Project to carry such Workers' Compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project. In the event the Loan Agreement so requires, such insurance shall be made payable to the order of the Authority, the Issuer, the prime contractor and all subcontractors, as their interests may appear.

Section 6.17. Mandatory Connections. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Department of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Department of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a thirty (30) day notice of the availability of the System, pay the rates and charges established therefor.

Any such house, dwelling or building from which emanates sewage or water-borne waste matter and which is not so connected with the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction, provided that Issuer gives no assurance of compliance with these requirements for parties outside the limits of the Issuer.

Section 6.18. Completion of Project; Permits and Orders. The Issuer will complete the Project as promptly as possible and operate and maintain the System in good condition and in compliance with all federal and State requirements and standards.

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

Section 6.19. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. PUBLIC PURPOSE BONDS. The Issuer shall use the Bond proceeds solely for the Project and as otherwise set forth herein, and the Project will be solely operated as a public purpose and as a local governmental activity of the Issuer.

B. PRIVATE ACTIVITY BOND COVENANT. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Code by reason of the classification of the Bonds as "private activity bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code in order to assure the tax-exempt status of the Bonds.

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

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

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

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

Section 6.20. Rebate Covenant. The Issuer is a governmental unit with general taxing powers to finance operations of or facilities of the nature of the Project and the System. As covenanted above, the Bonds are not private activity bonds within the meaning of the Code, and ninety-five percent (95%) or more of the net proceeds (as defined with respect to the Code) of the Bonds will be used for local governmental activities of the Issuer. The Issuer reasonably expects it and all its subordinate entities to issue less than \$5,000,000 in aggregate face amount of tax-exempt bonds (other than private activity bonds) during the calendar year, being 1999, in which the first series of Bonds are to be issued. Therefore, the Issuer believes that it is excepted from the rebate requirements of Section 148(f) of the Code. Notwithstanding the foregoing, if the Issuer is in fact subject to such rebate requirements, the Issuer hereby covenants to rebate to the United States the amounts required by the Code and to take all steps necessary to make such rebates as further described in Section 7.03. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and obtain a waiver from the Internal Revenue Service in order to maintain the tax-exempt status of interest on the Bonds.

Section 6.21. Compliance with Loan Agreement. The Issuer agrees to comply with all the terms and conditions of the Loan Agreement. Notwithstanding anything herein to the contrary, the Issuer will provide the IJDC with copies of all documents submitted to the Authority.

Section 6.22. Securities Law Compliance. The Issuer will provide the Authority, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of changes in usage and customer base) so that the Authority may comply with the provisions of SEC Rule 15c2-12 (17 CFR Part 240).

Section 6.23. Public Service Commission Approval. The Issuer shall obtain all requisite orders of and approvals from the Public Service Commission of West Virginia necessary for the construction of the Project and operation of the System, and the Authority, IJDC and the Government shall receive an opinion of counsel to the Issuer to such effect.

Section 6.24. Contracts. A. The Issuer shall, simultaneously with the delivery of the Series 1999A Bonds or immediately thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

B. The Issuer shall submit all proposed change orders to IJDC for written approval. The Issuer shall obtain the written approval of IJDC before expending any proceeds of the Series 1999A Bonds held in "contingency" as set forth in the Schedule B attached to the Loan Agreement. The Issuer shall also obtain the written approval of IJDC before expending any proceeds of the Series 1999A Bonds made available due to bid or construction or project underruns.

ARTICLE VII

INVESTMENT OF FUNDS; NON ARBITRAGE

Section 7.01. Investments. Any moneys held as a part of the funds and accounts created by this Ordinance, other than the Revenue Fund, shall be invested and reinvested by the Commission, the Depository Bank, or such other bank or national banking association holding such fund or account, as the case may be, at the written direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Ordinance, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this Section 7.01 and in Section 7.02 and 7.03.

Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission, the Depository Bank, or such other bank or national banking association, as the case may be, shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Depository Bank, or such other bank or national banking association, as the case may be, may make any and all investments permitted by this section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Bonds are outstanding.

Section 7.02. Arbitrage. The Issuer covenants that (i) it will restrict the use of the proceeds of the Bonds in such manner and to such extent as may be necessary, in view of the Issuer's reasonable expectations at the time of issuance of the Bonds, so that the Bonds will not constitute "Arbitrage Bonds" under Section 148 of the Code and Regulations, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a Federal Information Return with respect to the Bonds) so that the interest on the Bonds will be and remain excluded from gross income for Federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 7.03. Tax Certificate and Rebate. If required, the Issuer shall deliver a certificate of arbitrage, a tax certificate or other similar certificate to be prepared by nationally recognized bond counsel or tax counsel relating to payment of arbitrage rebate and other tax matters as a condition to issuance of the Bonds. In addition, the Issuer covenants to comply with all Regulations from time to time in effect and applicable to the Bonds as may be necessary in order to fully comply with Section 148(f) of the Code, and covenants to take such actions, and refrain from taking such actions, as may be necessary to fully comply with such Section 148(f) of the Code and such Regulations, regardless of whether such actions may be contrary to any of the provisions of this Ordinance.

If it is determined that the Issuer does not qualify for an exception to Section 148 of the Code or the Issuer is otherwise subject to rebate in connection with the Bonds, the Issuer shall calculate, annually, the rebatable arbitrage, determined in accordance with Section 148(f) of the Code. Upon completion of each such annual calculation, unless otherwise agreed by the Authority, the Issuer shall pay the sum determined to be subject to rebate to the United States, which, notwithstanding anything herein to the contrary, shall be paid from investment earnings on the underlying fund or account established hereunder and on which such rebatable arbitrage was earned or from other lawfully available sources. The Issuer shall pay, or cause to be paid, to the United States the rebatable arbitrage in accordance with Section 148(f) of the Code and such Regulations. The Issuer shall remit payments to the United States in the time and at the address prescribed by the Regulations as the same may be from time to time in effect with such reports and statements as may be prescribed by such Regulations.

The Issuer shall assure that such payments are made to the United States, on a timely basis, from any funds lawfully available therefor. In addition, the Issuer shall cooperate with the Authority in preparing rebate calculations and in all other respects in connection with rebates and hereby consents to the performance of all matters in connection with such rebates by the Authority at the expense of the Issuer. To the extent not so performed by the Authority, the Issuer and the Depository Bank (at the expense of the Issuer) may provide for the employment of independent attorneys, accountants or consultants compensated on such reasonable basis as the Issuer or the Depository Bank may deem appropriate in order to assure compliance with this Section 7.03. The Issuer shall keep and retain, or cause to be kept and retained, records of the determinations made pursuant to this Section 7.03 in accordance with the requirements of Section 148(f) of the Code or such Regulations. In the event the Issuer fails to make such rebates as required, the Issuer shall pay any and all penalties and other amounts, from lawfully available sources, and obtain a waiver from the Internal Revenue Service, if necessary, in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes.

The Issuer shall submit to the Authority within fifteen (15) days following the end of each Bond Year a certified copy of its rebate calculation and certificate with respect thereto or, if the Issuer qualifies for the small governmental issue exception to rebate, or any other exception thereto, then the Issuer shall submit to the Authority a certificate stating that it is exempt from such rebate provisions and that no event has occurred to its knowledge during the Bond Year which would make the Bonds subject to rebate. The Issuer shall furnish to the Authority such information with respect to earnings on all moneys constituting "Gross Proceeds" of the Bonds (as such term is defined in the Code) from time to time as the Authority may request. The Issuer shall also furnish to the Authority, at any time, such additional information relating to rebate as may be reasonably requested by the Authority, including

information with respect to earnings on all funds constituting "gross proceeds" of the Bonds (as defined in the Code).

The Issuer shall furnish to the Authority, annually, at such time as it is required to perform its rebate calculations under the Code, a certificate with respect to its rebate calculations and, at any time, any additional information relating thereto as may be requested by the Authority and shall furnish to the Authority such information with respect to earnings on all funds constituting "gross proceeds" of the Bonds (as that term is defined in the Code) from time to time as the Authority may request.

Section 7.04. Restriction of Yield and Bond Proceeds. The Issuer shall comply with the yield restriction on Bond proceeds as set forth in Section 148 of the Code.

ARTICLE VIII

DEFAULT AND REMEDIES

Section 8.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Bonds:

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

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Bonds set forth in this Ordinance, or the Loan Agreement, any Supplemental Resolution or in the Bonds, and such default shall have continued for a period of thirty (30) days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, Registrar or any other Paying Agent or a Holder of a Bond; or

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

Section 8.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of Outstanding Bonds may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Ordinance relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Outstanding 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 Outstanding Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Ordinance with respect to the Outstanding Bonds, or the rights of such Registered Owners.

Section 8.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Ordinance and the Act, including, after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bond any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project on behalf of the Issuer with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bond 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 Ordinance and the Act.

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

Whenever all that is due upon the Bonds and interest thereon and under any covenants of this Ordinance for reserve, sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the revenues of the System shall have been paid and made good, and all defaults under the provisions of this Ordinance shall have been cured and made good, possession of the System shall be surrendered to the 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 Bond. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owner of such Bond and the curing and making good of any Event of Default with respect thereto under the provisions of this Ordinance, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose

of any assets of the System.

ARTICLE IX

DEFEASANCE

Section 9.01. Defeasance of Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Ordinance, then with respect to the Bonds only the pledge of Net Revenues and other moneys and securities pledged under this Ordinance and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date, the principal installments of and interest on such Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All the Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Bonds provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

ARTICLE X

INTERIM CONSTRUCTION FINANCING

Section 10.01. Authorization and General Terms. In order to pay certain costs of the Project pending receipt of proceeds, grant receipts or other funds, the Issuer may issue and sell its Note or Notes (the "Bond Notes"), in an aggregate principal amount not to exceed \$800,000.00. The Notes may be issued as evidence of a line of credit from a commercial bank or other lender, at the discretion

of the Issuer, and as shall be set forth in a Supplemental Resolution. The Bond Notes shall bear interest from the date or dates, at such rate or rates, payable on such date or dates and shall mature on such date or dates and be subject to such prepayment or redemption, all as provided in a Supplemental Resolution.

Section 10.02. Terms of and Security for Bond Notes. The Bond Notes, if issued, shall be issued with such terms and secured in the manner set forth in a Supplemental Resolution.

Section 10.03. Bond Notes are Special Obligations. The Bond Notes shall be special obligations of the Issuer payable as to principal and interest solely from Bond Proceeds, grant receipts, surplus revenues, letter of credit proceeds, if any, and other sources. The Bond Notes do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions. The general funds of the Issuer are not liable and neither the full faith and credit nor the taxing power of the Issuer is pledged for the payment of the Bond Notes. The holders of the Bond Notes shall never have the right to compel the forfeiture of any property of the Issuer. The Bond Notes shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or revenues except as set forth in a Supplemental Resolution.

Section 10.04. Execution of Documents. The Bond Notes, Credit Agreement and any other documents required to be executed by the commercial bank or other lender shall be executed in the name of the Issuer by the Mayor, and the Mayor and Recorder are hereby authorized to execute any Bond Note, Bond Notes, Credit Agreement or any other documents necessary to secure the interim financing.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Ordinance. No material modification or amendment of this Ordinance, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Registered Owners of the Bonds shall be made without the consent in writing of the Registered Owners of 66.2/3% or more in principal amount of the Bonds so affected and then Outstanding and LJDC and the Authority; provided, that no change shall be made in the maturity of any Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the respective Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Ordinance may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludability of interest on the Bonds from gross income of the holders thereof.

Section 11.02. Ordinance Constitutes Contract. The provisions of the Ordinance shall constitute a contract between the Issuer and the Registered Owners of the Bonds, and no change, variation or alteration of any kind of the provisions of the Ordinance shall be made in any manner, except as in this Ordinance provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Ordinance should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance, a Supplemental Resolution or the Bonds.

Section 11.04. Headings, Etc. The headings and captions of the articles, sections and subsections hereof are for convenience of reference only, and shall not affect in any way the meaning or interpretation of any provision hereof.

Section 11.05. Conflicting Provisions Repealed. All ordinances, orders or resolutions and or parts thereof in conflict with the provisions of this Ordinance are, to the extent of such conflict, hereby repealed.

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the 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 11.07. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Ordinance determined by the Governing Body to contain sufficient information as to give notice of the contents hereof shall be published once a week for two (2) successive weeks within a period of fourteen (14) consecutive days, with at least six (6) full days intervening between each publication, in a qualified newspaper published and of general circulation in the City of War, 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 City Council upon a date certain, not less than ten (10) days subsequent to the date of the first publication of such abstract of this Ordinance and notice, and present protests, and that a certified copy of the Ordinance is on file with the Governing Body for review by interested persons during office hours of the Governing Body. At such hearing, all objections and suggestions shall be heard and the Governing Body shall take such action as it shall deem proper.

Section 11.08. Effective Date. This Ordinance shall take effect immediately following public hearing hereon.

First Reading - March 22, 1999

Second Reading - March 29, 1999

Third Reading - April 5, 1999

Enacted Following Public Hearing - April 19, 1999

CITY OF WAR, WEST VIRGINIA

By Thomas C. Hatcher
Mayor

[CITY SEAL]

ATTEST:

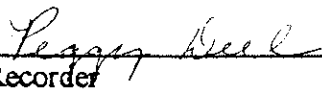
Peggy Deel
Recorder

CERTIFICATION

The undersigned does hereby certify that the attached Ordinance is a true and accurate copy of an Ordinance duly enacted by the Council of the CITY OF WAR, WEST VIRGINIA on April 19, 1999, and that the foregoing document remains in full force and effect and has not been amended.

Dated: April 19, 1999.

[SEAL]


Recorder

CITY OF WAR, WEST VIRGINIA
SEWER REVENUE BONDS, SERIES 1999

RESOLUTION PROVIDING FOR REVISED TOTAL PROJECT COST, BOND TERMS, REVISED PROJECT DESCRIPTION, REPAYMENT OF DESIGN LOAN AND OTHER DETAILS AS TO THE SEWER REVENUE BONDS, SERIES 1999, OF THE CITY OF WAR

WHEREAS, the City of War (the "Issuer"), in the County of McDowell, State of West Virginia, is a municipal corporation of said State, the governing body of which is its Council;

WHEREAS, this Council duly enacted on April 19, 1999, an ordinance (the "Ordinance") entitled:

ORDINANCE AUTHORIZING THE CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS FOR THE PUBLIC SEWER SYSTEM OF THE CITY OF WAR, WEST VIRGINIA, AT A COST ESTIMATED TO BE APPROXIMATELY \$7,700,000; AND THE FINANCING OF THE COST THEREOF THROUGH THE ISSUANCE BY THE CITY OF \$970,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1999A (WEST VIRGINIA INFRASTRUCTURE FUND), AND \$500,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 1999B (UNITED STATES DEPARTMENT OF AGRICULTURE), WITH BOND PROCEEDS TO BE USED, ALONG WITH OTHER FUNDS AND MONEYS OF, OR AVAILABLE TO, THE CITY OF WAR WHICH MAY BE LAWFULLY EXPENDED FOR SUCH PURPOSES, TO FUND RESERVE ACCOUNTS FOR SUCH BONDS, TO PROVIDE FOR CAPITALIZED INTEREST DURING CONSTRUCTION, AND TO PAY OTHER COSTS IN CONNECTION THEREWITH; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE OWNERS OF SUCH BONDS; APPROVING AND RATIFYING A LOAN AGREEMENT AND LETTER OF CONDITIONS RELATING TO SUCH BONDS; PLEDGING NET REVENUES, ON A PARITY BASIS, AS SECURITY FOR THE BONDS; PLACING LIMITATION ON SALE OF SYSTEM; APPROVING INTERIM FINANCING; AND AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, the Ordinance provided for the issuance of the Issuer's Sewer Revenue Bonds, Series 1999A (West Virginia Infrastructure Fund) and Sewer Revenue Bonds, Series 1999B (United States Department of Agriculture) (collectively the "Series 1999 Bonds"), in an aggregate principal amounts of \$970,000 and \$500,000, respectively, for the purpose of financing a portion of the costs of the Project, all in accordance with Chapter 16, Article 13 of the West Virginia Code of 1931, as amended (the "Act");

WHEREAS, the Ordinance provided that other matters pertaining to the Series 1999 Bonds be provided for by resolution of this Council supplemental to and amendatory of the Ordinance;

WHEREAS, the Series 1999A and 1999B Bonds are proposed to be purchased by the West Virginia Infrastructure and Jobs Development Council (the "Council") and the United States Department of Agriculture, Rural Utilities Service ("RUS") (the "Original Purchasers"), pursuant to a Loan Agreement and Letter of Conditions, as amended, respectively;

WHEREAS, the bids received to construct the Project exceeded the original estimate of Project costs;

WHEREAS, the Council and RUS have agreed to add additional grant contributions to fund the additional cost of the Project in the amounts of \$200,000 and \$1,100,000, respectively;

WHEREAS, the Issuer's equity contribution to the Project has been reduced by \$60,000 from \$130,000 to \$70,000;

WHEREAS, the net result of the aforementioned funding adjustments is an increase in the total cost of the Project from approximately \$7,700,000 to approximately \$8,940,000;

WHEREAS, the scope of the Project has been modified since the receipt of bids and the enactment of the Ordinance, as more fully described below;

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

WHEREAS, this Council deems it essential and desirable that this Resolution be adopted and that the Loan Agreement and Letter of Conditions, as amended, and that other matters relating to the Series 1999 Bonds be herein provided for, all in accordance with the Ordinance.

NOW, THEREFORE, THE COUNCIL OF THE CITY OF WAR HEREBY RESOLVES:

Section 1. Pursuant to the Ordinance and the Act, this Resolution is adopted and there are hereby authorized and ordered to be issued the Series 1999 Bonds in the aggregate principal amounts of \$970,000 and \$500,000, being the same amounts authorized by the Ordinance. The Series 1999 Bonds shall be dated the date of Closing, to be on or about June 25, 1999, upon original issuance.

Section 2. The Loan Agreement and the Letter of Conditions, as amended, substantially in the forms submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Mayor and Recorder on behalf of the Issuer are hereby authorized, approved and directed.

Section 3. The estimated cost of the Project shall be increased from approximately \$7,700,000 to approximately \$8,940,000 with a reduction in the Issuer's contribution from \$130,000 to \$70,000, an increase in the Council grant from \$3,000,000 to \$3,200,000, and the addition of another RUS grant in the amount of \$1,100,000.

Section 4. Pursuant to the Ordinance and the Act, this Resolution is adopted and there are hereby authorized and ordered to be issued as follows:

(A) Sewer Revenue Bonds, Series 1999A (West Virginia Infrastructure Fund), of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of \$970,000. The Series 1999A Bonds shall be dated the date of delivery thereof, shall mature on June 1, 2039, and shall bear interest at the rate of 0% per annum. The Series 1999A Bonds shall be payable in quarterly installments of principal on March 1, June 1, September 1 and December 1 of each year, commencing March 1, 2001, and ending June 1, 2039, in the amounts as set forth in "Schedule X" attached to the Loan Agreement and incorporated in and made a part of the Series 1999A Bonds. The Series 1999A Bonds shall be subject to redemption upon the written consent of the Authority, upon payment of the redemption premium, if any, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Bonds.

(B) Sewer Revenue Bonds, Series 1999B (United States Department of Agriculture) of the Issuer, originally represented by a single Bond, numbered BR-1, in the principal amount of \$500,000. The Series 1999B Bonds shall be dated the date of delivery thereof and shall bear interest at the rate of 4.5% per annum. Interest only shall be payable in monthly installments for the first 24 months commencing 30 days following delivery of the Series 1999B Bonds and continuing on the corresponding day of each month. Thereafter, principal and interest shall be payable in monthly installments of \$2,295.00 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 1999B 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 1999B Bonds. All such payments shall be made at the National Finance Office, St. Louis, Missouri 63103, or at such other place as RUS may designate after issuance of the Series 1999B Bonds. Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the Issuer.

Section 5. The Issuer's Sewer Revenue Bond, Series 1996, dated September 12, 1996, shall be repaid in full at Closing from a portion of the proceeds of the Series 1999A Bonds.

Section 6. The Project description is hereby amended as follows: the proposed improvements will consist of approximately 9,300 linear feet of river gravity sewer pipe, 26,800 linear feet of road gravity sewer pipe, 23,500 linear feet of standard gravity sewer pipe, 800 linear feet of railroad crossings, 1,000 linear feet of stream crossings, a main influent pump station, a 0.219 MGD secondary sewer treatment facility and related property and equipment.

Section 7. All other provisions relating to the Series 1999 Bonds and the text of the Series 1999 Bonds shall be in substantially the forms provided in the Ordinance.

Section 8. This Resolution shall be effective immediately.

Adopted this 24th day of May, 1999.

[SEAL]

CITY OF WAR, WEST VIRGINIA

By: Thomas C. Hatcher
Mayor

Peggy Rice
Recorder

CERTIFICATION

Certified a true, correct and complete copy of a Resolution duly adopted by the City Council of the CITY OF WAR at a regular meeting of the City Council held on May 24, 1999, pursuant to proper notice, at which meeting a quorum was present and acting throughout.

Dated this 24th day of May, 1999.

Peggy Dink
Recorder

IC/WDA-1
(July 1996)

LOAN AGREEMENT

THIS LOAN AGREEMENT, Made and entered into in several counterparts, by and between the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), acting on behalf of the WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL (the "Council") and the governmental agency designated below (the "Governmental Agency");

CITY OF WAR
(Governmental Agency)

WITNESSETH:

WHEREAS, pursuant to the provisions of Chapter 31, Article 15A. of the Code of West Virginia, 1931, as amended (the "Act"), the Authority is empowered upon request of the Council to make loans to governmental agencies for the acquisition or construction of projects by such governmental agencies, subject to such provisions and limitations as are contained in the Act;

WHEREAS, the Governmental Agency constitutes a governmental agency as defined by the Act;

WHEREAS, the Governmental Agency is authorized and empowered by the statutes of the State to construct, operate and improve a project, as defined by the Act, and to finance the cost of constructing or acquiring the same by borrowing money to be evidenced by revenue bonds issued by the Governmental Agency;

WHEREAS, the Governmental Agency intends to construct, is constructing or has constructed such a project at the location and as more particularly described and set forth in the Application, as hereinafter defined (the "Project");

WHEREAS, the Governmental Agency has completed and filed with the Authority an Application for a Construction Loan with attachments and exhibits and an Amended Application for a Construction Loan also with attachments and exhibits (together, as further revised and supplemented, the "Application"), which Application is incorporated herein by this reference; and

WHEREAS, having reviewed the Application and made all findings required by the Act and having available sufficient funds therefor, the Council has authorized the Authority to lend the Governmental Agency the amount set forth on Schedule X attached hereto and incorporated herein by reference, through the purchase of revenue bonds of the Governmental Agency with money in the Infrastructure Fund subject to the Governmental Agency's satisfaction of certain legal and other requirements of the Council's loan program (the "Program") as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter contained, the Governmental Agency and the Authority hereby agree as follows:

ARTICLE I

Definitions

1.1 Except where the context clearly indicates otherwise, the terms "Authority," "cost," "governmental agency," "project," "waste water facility" and "water facility" have the definitions and meanings ascribed to them in the Act.

1.2 "Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Bonds, acting in its administrative capacity pursuant to Section 10 of the Council Act and upon authorization from the Council.

1.3 "Consulting Engineers" means the professional engineer, licensed by the State, who shall not be a regular, full-time employee of the State or any of its agencies, commissions or political sub-divisions, and designated in the Application and any qualified successor thereto; provided, however, when a Loan is made for a Project financed, in part, by the Office of Abandoned Mine Lands, "Consulting Engineers" shall mean the West Virginia Division of Environmental Protection, or any successor thereto.

1.4 "Infrastructure Fund" means the West Virginia Infrastructure Fund established in accordance with Section 9 of the Act.

1.5 "Loan" means the loan to be made by the Authority to the Governmental Agency through the purchase of Local Bonds, as hereinafter defined, pursuant to this Loan Agreement.

1.6 "Local Act" means the official action of the Governmental Agency required by Section 4.1 hereof, authorizing the Local Bonds.

1.7 "Local Bonds" means the revenue bonds to be issued by the Governmental Agency pursuant to the provisions of the Local Statute, as hereinafter defined, to evidence the Loan and to be purchased by the Authority, all in accordance with the provisions of this Loan Agreement.

1.8 "Local Statute" means the specific provisions of the Code of West Virginia, 1931, as amended, pursuant to which the Local Bonds are issued.

1.9 "Operating Expenses" means the reasonable, proper and necessary costs of operation and maintenance of the System, as hereinafter defined, as should normally and regularly be included as such under generally accepted accounting principles.

1.10 "Project" means the project hereinabove referred to, to be constructed or being constructed by the Governmental Agency in whole or in part with the net proceeds of the Local Bonds.

1.11 "System" means the project owned by the Governmental Agency, of which the Project constitutes all or to which the Project constitutes an improvement, and any improvements thereto hereafter constructed or acquired from any sources whatsoever.

1.12 Additional terms and phrases are defined in this Loan Agreement as they are used.

ARTICLE II

The Project and the System

2.1 The Project shall generally consist of the construction and acquisition of the facilities described in the Application, to be, being or having been constructed in accordance with plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers, the Authority and Council having found, to the extent applicable, that the Project is consistent with the Act.

2.2 Subject to the terms, conditions and provisions of this Loan Agreement and of the Local Act, the Governmental Agency has acquired, or shall do all things necessary to acquire, the proposed site of the Project and shall do, is doing or has done all things necessary to construct the Project in accordance with the plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers.

2.3 All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency, subject to any mortgage lien or

other security interest as is provided for in the Local Statute unless a sale or transfer of all or a portion of said property or any interest therein is approved by the Authority and Council.

2.4 The Governmental Agency agrees that the Authority and its duly authorized agents shall have the right at all reasonable times to enter upon the Project site and Project facilities and to examine and inspect the same. The Governmental Agency further agrees that the Authority and its duly authorized agents and representatives shall, prior to, at and after completion of construction and commencement of operation of the Project, have such rights of access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority with respect to the System pursuant to the pertinent provisions of the Act.

2.5 The Governmental Agency shall keep complete and accurate records of the cost of acquiring the Project site and the costs of constructing, acquiring and installing the Project. The Governmental Agency shall permit the Authority, acting by and through its Director or his duly authorized agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at any and all reasonable times for the purpose of audit and examination, and the Governmental Agency shall submit to the Authority such documents and information as it may reasonably require in connection with the construction, acquisition and installation of the Project, the operation and maintenance of the System and the administration of the Loan or of any State and federal grants or other sources of financing for the Project.

2.6 The Governmental Agency agrees that it will permit the Authority and its agents and representatives to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the System at any reasonable time following completion of construction of the Project and commencement of operation thereof or if the Project is an improvement to an existing system at any reasonable time following commencement of construction.

2.7 The Governmental Agency shall require that each construction contractor furnish a performance bond and a payment bond, each in an amount at least equal to one hundred percent (100%) of the contract price of the portion of the Project covered by the particular contract, as security for the faithful performance of such contract.

2.8 The Governmental Agency shall require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority. Until the Project facilities are completed and accepted by the Governmental Agency, the Governmental Agency or (at the option of the Governmental Agency) the contractor shall maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Governmental Agency, the prime contractor and

all subcontractors, as their interests may appear. If facilities of the System which are detrimentally affected by flooding are or will be located in designated special flood or mudslide-prone areas and if flood insurance is available at a reasonable cost, a flood insurance policy must be obtained by the Governmental Agency on or before the Date of Loan Closing, as hereinafter defined, and maintained so long as any of the Local Bonds is outstanding. Prior to commencing operation of the Project, the Governmental Agency must also obtain, and maintain so long as any of the Local Bonds is outstanding, business interruption insurance if available at a reasonable cost.

2.9 The Governmental Agency shall provide and maintain competent and adequate resident engineering services satisfactory to the Council and the Authority covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such resident engineer shall certify to the Authority and the Governmental Agency at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

2.10 The Governmental Agency agrees that it will at all times provide operation and maintenance of the System to comply with any and all State and federal standards. The Governmental Agency agrees that qualified operating personnel properly certified by the State will be retained to operate the System during the entire term of this Loan Agreement.

2.11 The Governmental Agency hereby covenants and agrees to comply with all applicable laws, rules and regulations issued by the Council, the Authority or other State, federal or local bodies in regard to the construction of the Project and operation, maintenance and use of the System.

2.12 The Governmental Agency, commencing on the date contracts are executed for the construction of the Project and for two years following the completion of the Project, shall each month complete a Monthly Financial Report, the form of which is attached hereto as Exhibit C and incorporated herein by reference, and forward a copy by the 15th of each month to the Authority and Council.

ARTICLE III

Conditions to Loan; Issuance of Local Bonds

3.1 The agreement of the Authority and Council to make the Loan is subject to the Governmental Agency's fulfillment, to the satisfaction of the Authority, of each and all of those certain conditions precedent on or before the delivery date for the Local Bonds, which shall be the date established pursuant to Section 3.4 hereof. Said conditions precedent are as follows:

(a) The Governmental Agency shall have performed and satisfied all of the terms and conditions to be performed and satisfied by it in this Loan Agreement:

(b) The Governmental Agency shall have authorized the issuance of and delivery to the Authority of the Local Bonds described in this Article III and in Article IV hereof;

(c) The Governmental Agency shall either have received bids or entered contracts for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application; provided, that, if the Loan will refund an interim financing of construction, the Governmental Agency must either be constructing or have constructed its Project for a cost and as otherwise compatible with the plan of financing described in the Application; and, in either case, the Authority shall have received a certificate of the Consulting Engineers to such effect, the form of which certificate is attached hereto as Exhibit A;

(d) The Governmental Agency shall have obtained all permits required by the laws of the State and the federal government necessary for the construction of the Project, and the Authority shall have received a certificate of the Consulting Engineers to such effect;

(e) The Governmental Agency shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") necessary for the construction of the Project and operation of the System with all requisite appeal periods having expired without successful appeal, and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

(f) The Governmental Agency shall have obtained any and all approvals for the issuance of the Local Bonds required by State law, and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local

counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

(g) The Governmental Agency shall have obtained any and all approvals of rates and charges required by State law and shall have taken any other action required to establish and impose such rates and charges (imposition of such rates and charges is not, however, required to be effective until completion of construction of the Project) with all requisite appeal periods having expired without successful appeal, and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

(h) Such rates and charges for the System shall be sufficient to comply with the provisions of Subsections 4.1(a) and 4.1(b)(ii) hereof, and the Authority shall have received a certificate of the accountant for the Governmental Agency, or such other person or firm experienced in the finances of governmental agencies and satisfactory to the Authority, to such effect; and

(i) The net proceeds of the Local Bonds, together with all moneys on deposit or to be simultaneously deposited (or, with respect to proceeds of grant anticipation notes or other indebtedness for which a binding purchase contract has been entered, to be deposited on a date certain) and irrevocably pledged thereto and the proceeds of grants irrevocably committed therefor, shall be sufficient to pay the costs of construction and acquisition of the Project as set forth in the Application, and the Authority shall have received a certificate of the Consulting Engineers, or such other person or firm experienced in the financing of water development projects and satisfactory to the Authority, to such effect, such certificate to be in form and substance satisfactory to the Authority, and evidence satisfactory to the Authority of such irrevocably committed grants.

3.2 Subject to the terms and provisions of this Loan Agreement, the rules and regulations promulgated by the Authority or any other appropriate State agency and any applicable rules, regulations and procedures promulgated from time to time by the federal government, it is hereby agreed that the Authority shall make the Loan to the Governmental Agency and the Governmental Agency shall accept the Loan from the Authority, and in furtherance thereof it is agreed that the Governmental Agency shall sell to the Authority and the Authority shall make the Loan by purchasing the Local Bonds in the principal amount and at the price set forth in Schedule X hereto. The Local Bonds shall have such further terms and provisions as described in Article IV hereof.

3.3 The Loan shall be secured and shall be repaid in the manner hereinafter provided in this Loan Agreement.

3.4 The Local Bonds shall be delivered to the Authority, at the offices of the Authority, on a date designated by the Governmental Agency by written notice to the

Authority, which written notice shall be given not less than ten (10) business days prior to the date designated; provided, however, that if the Authority is unable to accept delivery on the date designated, the Local Bonds shall be delivered to the Authority on a date as close as possible to the designated date and mutually agreeable to the Authority and the Governmental Agency. The date of delivery so designated or agreed upon is hereinafter referred to as the "Date of Loan Closing." Notwithstanding the foregoing, the Date of Loan Closing shall in no event occur more than ninety (90) days after the date of execution of this Loan Agreement by the Authority.

3.5 The Governmental Agency understands and acknowledges that it is one of several governmental agencies which have applied to the Council for loans to finance projects and that the obligation of the Authority to make any such loan is subject to the Council's authorization and the Governmental Agency's fulfilling all of the terms and conditions of this Loan Agreement on or prior to the Date of Loan Closing. The Governmental Agency specifically recognizes that the Authority will not purchase the Local Bonds unless and until it has available in the Infrastructure Fund funds sufficient to purchase all the Local Bonds and that, prior to such execution, the Authority may commit to and purchase the revenue bonds of other governmental agencies for which it has sufficient funds available.

ARTICLE IV

Local Bonds; Security for Loan;
Repayment of Loan; Interest on Loan;
_____ Fees and Charges _____

4.1 The Governmental Agency shall, as one of the conditions of the Authority to make the Loan, authorize the issuance of and issue the Local Bonds pursuant to an official action of the Governmental Agency in accordance with the Local Statute, which shall, as enacted, contain provisions and covenants in substantially the form as follows, unless the specific provision or covenant is modified or waived by the Council:

(a) That the gross revenues of the System shall always be used for purposes of the System. The revenues generated from the operation of the System will be used monthly, in the order of priority listed below:

(i) to pay Operating Expenses of the System;

(ii) to the extent not otherwise limited by any outstanding loan resolution, indenture or other act or document and beginning on the date set forth in Schedule

X to provide debt service on the Local Bonds by depositing in a sinking fund one-third (1/3) of the interest payment next coming due on the Local Bonds and one-third (1/3) of the principal payment next coming due on the Local Bonds and, beginning three (3) months prior to the first date of payment of principal of the Local Bonds, if the reserve account for the Local Bonds, if any (the "Reserve Account"), was not funded from proceeds of the Local Bonds or otherwise concurrently with the issuance thereof in an amount equal to an amount at least equal to the maximum amount of principal and interest which will come due on the Local Bonds in the then current or any succeeding year (the "Reserve Requirement"), by depositing in the Reserve Account an amount not less than one-twelfth (1/12) of one-tenth (1/10) of the Reserve Requirement or, if the Reserve Account has been so funded (whether by Local Bond proceeds, monthly deposits or otherwise), any amount necessary to maintain the Reserve Account at the Reserve Requirement;

(iii) to create a renewal and replacement, or similar, fund in an amount equal to two and one-half percent (2-1/2%) of the gross revenues from the System, exclusive of any payments into the Reserve Account, for the purpose of improving or making emergency repairs or replacements to the System or eliminating any deficiencies in the Reserve Account; and

(iv) for other legal purposes of the System, including payment of debt service on other obligations junior, subordinate and inferior to the Local Bonds.

Provided, that if the Governmental Agency has existing outstanding indebtedness which has greater coverage or renewal and replacement fund requirements, then the greater requirements will prevail until said existing indebtedness is paid in full.

(b) Covenants substantially as follows:

(i) That the Local Bonds shall be secured by the gross or net revenues from the System, as more fully set forth in Schedules X and Y attached hereto;

(ii) That the schedule of rates or charges for the services of the System shall be sufficient to provide funds which, along with other revenues of the System, will pay all Operating Expenses and leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount required in any year for debt service on the Local Bonds and all other obligations secured by a lien on or payable from the revenues of the System prior to or on a parity with the Local Bonds or, if the reserve account, if any, established for the payment of debt service on the Local Bonds (the "Reserve Account") is funded (whether by Local Bond proceeds, monthly deposits or otherwise) at an amount at least equal to the maximum amount of principal and interest which will come due on the Local Bonds in the then current or any succeeding year (the "Reserve Requirement") and any reserve account for any such prior or parity obligations is funded at least at the requirement therefor, equal to at least one hundred ten percent (110%) of the maximum

amount required in any year for debt service on the Local Bonds and any such prior or parity obligations;

(iii) That the Governmental Agency will complete the Project and operate and maintain the System in good condition;

(iv) That, except as otherwise required by State law or with the written consent of the Council and the Authority, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Local Bonds outstanding, with further restrictions on the disposition of portions of the System as are normally contained in such covenants;

(v) That the Governmental Agency shall not issue any other obligations payable from the revenues of the System which rank prior to, or equally, as to lien and security with the Local Bonds, except parity bonds which shall only be issued if net revenues of the System prior to issuance of such parity bonds, plus reasonably projected revenues from rate increases and the improvements to be financed by such parity bonds, based upon the rates, Operating Expenses and customer usage on the date of closing, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on all Local Bonds and parity bonds theretofore and then being issued and on any obligations secured by a lien on or payable from the revenues of the System prior to the Local Bonds; provided, however, that additional parity bonds may be issued to complete the Project, as described in the Application as of the date hereof, without regard to the foregoing;

(vi) That the Governmental Agency will carry such insurance as is customarily carried with respect to works and properties similar to the System, including those specified by Section 2.8 hereof;

(vii) That the Governmental Agency will not render any free services of the System;

(viii) That any Local Bond owner may, by proper legal action, compel the performance of the duties of the Governmental Agency under the Local Act, including the making and collection of sufficient rates or charges for services rendered by the System, and shall also have, in the event of a default in payment of principal of or interest on the Local Bonds, the right to obtain the appointment of a receiver to administer the System or construction of the Project, or both, as provided by law;

(ix) That, to the extent authorized by the laws of the State and the rules and regulations of the PSC, all delinquent rates and charges, if not paid when due, shall become a lien on the premises served by the System;

(x) That, to the extent legally allowable, the Governmental Agency will not grant any franchise to provide any services which would compete with the System;

(xi) That the Governmental Agency shall annually cause the records of the System to be audited by an independent certified public accountant or independent public accountant and shall submit the report of said audit to the Authority, which report shall include a statement that the Governmental Agency is in compliance with the terms and provisions of the Local Act and this Loan Agreement and that the Governmental Agency's revenues are adequate to meet its operation and maintenance expenses and debt service requirements;

(xii) That the Governmental Agency shall annually adopt a detailed budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding fiscal year and shall submit a copy of such budget to the Authority within 30 days of adoption thereof;

(xiii) That for wastewater systems, to the extent authorized by the laws of the State and the rules and regulations of the PSC, prospective users of the System shall be required to connect thereto;

(xiv) That the proceeds of the Local Bonds must (a) be deposited in a construction fund, which, except as otherwise agreed to in writing by the Authority, shall be held separate and apart from all other funds of the Governmental Agency and on which the owners of the Local Bonds shall have a lien until such proceeds are applied to the construction of the Project (including the repayment of any incidental interim financing for non-construction costs) and/or (b) be used to pay (or redeem) bond anticipation notes or other interim funding of such Governmental Agency, the proceeds of which were used to finance the construction of the Project; provided that, with the prior written consent of the Authority, the proceeds of the Local Bonds may be used to fund all or a portion of the Reserve Account, on which the owner of the Local Bonds shall have a lien as provided herein;

(xv) That, as long as the Authority is the owner of any of the Local Bonds, the Governmental Agency may not redeem any Local Bonds by it without the written consent of the Authority and the Council and otherwise in compliance with this Loan Agreement;

(xvi) That, unless it qualifies for an exception to the provisions of Section 148 of the Code, which exception shall be set forth in an opinion of bond counsel, the Governmental Agency will furnish to the Authority, annually, at such time as it is required to perform its rebate calculations under the Code, a certificate with respect to its rebate calculations and, at any time, any additional information requested by the Authority;

reservations and exceptions as are described in Schedules X and Y hereto or are otherwise expressly permitted in writing by the Authority and the Council.

4.3 The principal of the Loan shall be repaid by the Governmental Agency on the days and in the years provided in Schedule X hereto. Interest payments on the Loan shall be made by the Governmental Agency on a quarterly basis as provided in said Schedule X.

4.4 The Loan shall bear interest from the date of first payment at the rate or rates per annum set forth on Schedule X hereto. In no event shall the interest rate on or the net interest cost of the Local Bonds exceed any statutory limitation with regard thereto.

4.5 The Local Bonds shall be delivered to the Authority in fully registered form, transferable and exchangeable as provided in the Local Act at the expense of the Governmental Agency. Anything to the contrary herein notwithstanding, the Local Bonds may be issued in one or more series, as reflected by Schedule X hereto.

4.6 The Governmental Agency agrees to expend the net proceeds of the Local Bonds for the Project within 3 years of the issuance of the State's general obligation bonds unless otherwise agreed to by the Council.

ARTICLE V

Certain Covenants of the Governmental Agency; Imposition and Collection of User Charges; Payments To Be Made by Governmental Agency to the Authority

5.1 The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Loan Agreement and the Local Act. The Governmental Agency hereby further irrevocably covenants and agrees that, as one of the conditions of the Authority to make the Loan, it has fixed and collected, or will fix and collect, the rates, fees and other charges for the use of the System, as set forth in the Local Act and in compliance with the provisions of Subsections 4.1(a) and 4.1(b)(ii) hereof.

5.2 In the event, for any reason, the schedule of rates, fees and charges initially established for the System in connection with the Local Bonds shall prove to be insufficient to produce the minimum sums set forth in the Local Act, the Governmental Agency hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges so as to provide funds sufficient to produce the minimum sums set forth in the Local Act and as required by this Loan Agreement.

(xvii) That the Governmental Agency shall take any and all action, or shall refrain from taking any action, as shall be deemed necessary by the Authority to maintain the exclusion from gross income for Federal income tax purposes of interest on the State's general obligation bonds or any bonds secured by the Local Bonds;

(xviii) That the Governmental Agency shall have obtained the certificate of the Consulting Engineer in the form attached to the Loan Application, to the effect that the Project has been or will be constructed in accordance with the approved plans, specifications and design as submitted to the Authority, the Project is adequate for the purposes for which it was designed and the funding plan as submitted to the Authority is sufficient to pay the costs of acquisition and construction of the Project;

(xix) To the extent applicable, that the Governmental Agency shall, to the full extent permitted by applicable law and the rules and regulations of the West Virginia Public Service Commission, terminate the services of any water facility owned by it to any customer of the System who is delinquent in payment of charges for services provided by the System and will not restore the services of the water facility until all delinquent charges for the services of the System have been fully paid or, if the water facility is not owned by the Governmental Agency, then the Governmental Agency shall enter into a termination agreement with the water provider;

(xx) That the Governmental Agency shall furnish to the Authority such information with respect to earnings on all funds constituting "gross proceeds" of the Local Bonds (as that term is defined in the Code) from time to time as the Authority may request; and

(xxi) That the Governmental Agency shall submit all proposed change orders to the Council for written approval. The Governmental Agency shall obtain the written approval of the Council before expending any proceeds of the Local Bonds held in "contingency" as set forth in the final Schedule B. The Governmental Agency shall obtain the written approval of the Council before expending any proceeds of the Local Bonds available due to bid/construction/project underruns.

The Governmental Agency hereby represents and warrants that the Local Act has been or shall be duly adopted in compliance with all necessary corporate and other action and in accordance with applicable provisions of law. All legal matters incident to the authorization, issuance, sale and delivery of the Local Bonds shall be approved without qualification by recognized bond counsel acceptable to the Authority in substantially the form of legal opinion attached hereto as Exhibit B.

4.2 The Loan shall be secured by the pledge and assignment by the Governmental Agency, as effected by the Local Act, of the fees, charges and other revenues of the Governmental Agency from the System as further set forth by and subject only to such

5.3 In the event the Governmental Agency defaults in the payment of any fees due to the Authority pursuant to Section 4.6 hereof, the amount of such default shall bear interest at the interest rate of the installment of the Loan next due, from the date of the default until the date of the payment thereof.

5.4 The Governmental Agency hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Governmental Agency, the Authority may exercise any or all of the rights and powers granted under the Act and State law, including without limitation the right to an appointment of a receiver.

ARTICLE VI

Other Agreements of the Governmental Agency

6.1 The Governmental Agency hereby warrants and represents that all information provided to the Authority in this Loan Agreement, in the Application or in any other application or documentation with respect to financing the Project was at the time, and now is, true, correct and complete, and such information does not omit any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Prior to the Authority's making the Loan and receiving the Local Bonds, the Authority shall have the right to cancel all or any of its obligations under this Loan Agreement if (a) any representation made to the Authority by the Governmental Agency in connection with the Loan shall be incorrect or incomplete in any material respect or (b) the Governmental Agency has violated any commitment made by it in its Application or in any supporting documentation or has violated any of the terms of this Loan Agreement.

6.2 The Governmental Agency hereby covenants that it will rebate any amounts required by Section 148 of the Internal Revenue Code of 1986, as amended, and will take all steps necessary to make any such rebates. In the event the Governmental Agency fails to make any such rebates as required, then the Governmental Agency shall pay any and all penalties, obtain a waiver from the Internal Revenue Service and take any other actions necessary or desirable to preserve the exclusion from gross income for Federal income tax purposes of interest on the Local Bonds.

6.3 Notwithstanding Section 6.2, the Authority may at any time, in its sole discretion, cause the rebate calculations prepared by or on behalf of the Governmental Agency to be monitored or cause the rebate calculations for the Governmental Agency to be prepared, in either case at the expense of the Governmental Agency.

6.4 The Governmental Agency hereby agrees to give the Authority prior written notice of the issuance by it of any other obligations to be used for the Project, payable

from the revenues of the System or from any grants for the Project or otherwise related to the Project or the System.

6.5 The Governmental Agency hereby agrees to file with the Authority upon completion of acquisition and construction of the Project a schedule in substantially the form of Amended Schedule A to the Application, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE VII

Miscellaneous

7.1 Additional definitions, additional terms and provisions of the Loan and additional covenants and agreements of the Governmental Agency may be set forth in Schedule Z attached hereto and incorporated herein by reference, with the same effect as if contained in the text of this Loan Agreement.

7.2 The Authority shall take all actions required by the Council in making and enforcing this Loan Agreement.

7.3 If any provision of this Loan Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Loan Agreement, and this Loan Agreement shall be construed and enforced as if such invalid or unenforceable provision had not been contained herein.

7.4 This Loan Agreement may be executed in one or more counterparts, any of which shall be regarded for all purposes as an original and all of which constitute but one and the same instrument. Each party agrees that it will execute any and all documents or other instruments and take such other actions as may be necessary to give effect to the terms of this Loan Agreement.

7.5 No waiver by either party of any term or condition of this Loan Agreement shall be deemed or construed as a waiver of any other terms or conditions, nor shall a waiver of any breach be deemed to constitute a waiver of any subsequent breach, whether of the same or of a different section, subsection, paragraph, clause, phrase or other provision of this Loan Agreement.

7.6 This Loan Agreement merges and supersedes all prior negotiations, representations and agreements between the parties hereto relating to the Loan and constitutes the entire agreement between the parties hereto in respect thereof.

7.7 By execution and delivery of this Loan Agreement, notwithstanding the date hereof, the Governmental Agency specifically recognizes that it is hereby agreeing to sell its Local Bonds to the Authority and that such obligation may be specifically enforced or subject to a similar equitable remedy by the Authority.

7.8 This Loan Agreement shall terminate upon the earlier of:

- (i) the end of ninety (90) days after the date of execution hereof by the Authority if the Governmental Agency has failed to deliver the Local Bonds to the Authority;
- (ii) termination by the Authority pursuant to Section 6.1 hereof; or
- (iii) payment in full of the principal of and interest on the Loan and of any fees and charges owed by the Governmental Agency to the Authority, acting on behalf of the Council.

7.9 The Authority acknowledges that certain terms and requirements in this Loan Agreement may not be applicable when the Project is financed in part by the West Virginia Division of Environmental Protection, Office of Abandoned Mine Lands and under that circumstance those terms and requirements are specifically waived or modified as agreed to by the Authority and set forth in the Local Act.

IN WITNESS WHEREOF, the parties hereto have caused this Loan Agreement to be executed by their respective duly authorized officers as of the date executed below by the Authority.

CITY OF WAR

(SEAL)

By: Thomas C. Hatch
Mayor

Attest:

Date: June 25, 1999

Leggy Deel
Recorder

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

(SEAL)

By: Daniel B. Lyuborsky
Director

Attest:

Date: June 25, 1999

Barbara B Meadows
Secretary-Treasurer

EXHIBIT A

FORM OF CERTIFICATE OF CONSULTING ENGINEER

(Issuer)

(Name of Bonds)

I, _____, Registered Professional Engineer, West Virginia License No. _____, of _____, Consulting Engineers, _____, hereby certify as follows:

1. My firm is engineer for the acquisition and construction of _____ to the _____ system, as set forth in the plans and specifications approved by [DEP/BPH/PSC] (herein called the "Project") of _____ (the "Issuer") to be constructed primarily in _____ County, West Virginia, which acquisition and construction are being permanently financed [in part] by the above-captioned bonds (the "Bonds") of the Issuer. Capitalized words not defined herein shall have the meanings set forth in the _____ [passed/adopted] by the Issuer on _____, _____, and the Loan Agreement by and [between/among] the Issuer, the West Virginia Water Development Authority (the "Authority"), [and the West Virginia Division of Environmental Protection ("DEP"), the Bureau of Public Health ("BPH") or the West Virginia Infrastructure and Jobs Development Council ("IC")] dated _____.

2. The Bonds are being issued for the purposes of _____
_____.

3. To the best of my knowledge, information and belief (i) within the limits and in accordance with the applicable and governing contractual requirements relating to the Project, the Project will be constructed in general accordance with the approved plans, specifications and designs prepared by my firm and as described in the plans and specifications approved by [DEP/BPH/PSC] and any change orders approved by the Issuer, [the _____] and all necessary governmental bodies; (ii) the Project, as designed, is adequate for its intended purpose and has a useful life of at least [_____] years if properly operated and maintained, excepting anticipated replacements due to normal wear and tear; (iii) the Issuer has received bids for the [acquisition and] construction of the Project which

are in an amount and otherwise compatible with the plan of financing set forth in Schedule [A/B]n and my firm¹ has ascertained that all successful bidder(s) have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified for accuracy; (iv) the successful bidder(s) received any and all addenda to the original bid documents; (v) the bid documents reflect the Project as approved by the [DEP/BPH] and the bid form(s) provided to the bidders contain the central operational components of the Project; (vi) the successful bid(s) include prices for every item on such bid form(s); (vii) the uniform bid procedures were followed; (viii) the Issuer has obtained all permits required by the laws of the State of West Virginia and the United States necessary for the acquisition and construction of the Project and operation of the System; (ix) as of the effective date thereof, ²the rates and charges for the System as adopted by the Issuer will be sufficient to comply with the provisions of Subsections 4.1(a) and 4.1(b) (ii) of the Loan Agreement; (x) the net proceeds of the Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants, if any, irrevocably committed therefor, are sufficient to pay the costs of acquisition and construction of the Project approved by [DEP/BPH/PSC]; and (xi) attached hereto as Exhibit A is the final amended "Schedule [A/B] - Total Cost of Project and Sources of Funds" for the Project.

WITNESS my signature and seal on this ____ day of _____, ____.

[SEAL]

By: _____

West Virginia License No. _____

¹If another responsible party, such as the Issuer's attorney, reviews the insurance and payment bonds, then insert the following: [and in reliance upon the opinion of _____, Esq.] and delete "my firm has ascertained that".

²If the Rule 42 Exhibit and/or rate structure was prepared by an accountant, then insert the following: "In reliance upon the certificate of _____ of even date herewith," at the beginning of (ix).

EXHIBIT B

[Opinion of Bond Counsel for Governmental Agency]

[To Be Dated as of Date of Loan Closing]

West Virginia Infrastructure and
Jobs Development Council
c/o West Virginia Water Development Authority
180 Association Drive
Charleston, West Virginia 25311

Ladies and Gentlemen:

We are bond counsel to _____ (the
"Governmental Agency"), a _____
_____.

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a loan agreement dated _____, 19____, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority") and (ii) the issue of a series of revenue bonds of the Governmental Agency, dated _____, 19____ (the "Local Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bonds are in the principal amount of \$ _____, issued in the form of one bond registered as to principal and interest to the Authority, with interest and principal payable in installments on September 1, December 1, March 1 and June 1 of each year, beginning _____, at the rate as set forth in Exhibit A incorporated in and made a part of the Bonds.

The Local Bonds are issued for the purpose of _____ and paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of _____ of the Code of West Virginia, 1931, as amended (the "Local Statute"), and the bond _____ duly enacted by the Governmental Agency on _____ (the "Local Act"), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued, and the Loan Agreement that has been undertaken. The Local Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

Based upon the foregoing and upon our examination of such other documents as we have deemed necessary, we are of the opinion as follows:

1. The Loan Agreement has been duly authorized by and executed on behalf of the Governmental Agency and is a valid and binding special obligation of the Governmental Agency enforceable in accordance with the terms thereof.

2. The Loan Agreement inures to the benefit of the Authority and cannot be amended so as to affect adversely the rights of the Authority or diminish the obligations of the Governmental Agency without the consent of the Authority.

3. The Governmental Agency is a duly organized and presently existing _____, with full power and authority to construct and acquire the Project and to operate and maintain the System referred to in the Loan Agreement and to issue and sell the Local Bonds, all under the Local Statute and other applicable provisions of law.

4. The Governmental Agency has legally and effectively enacted the Local Act and all other necessary _____ in connection with the issuance and sale of the Local Bonds. The Local Act contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

5. The Local Bonds are valid and legally enforceable special obligations of the Governmental Agency, payable from the [net] revenues of the System referred to in the Local Act and secured by a [first] lien on and pledge of the [net] revenues of said System, all in accordance with the terms of the Local Bonds and the Local Act, and have been duly issued and delivered to the Authority.

6. [If required, the Local Bonds are, by statute, exempt _____, and under existing statutes and court decisions of the United States of America, as presently written and applied, the interest on the Local Bonds is excludable from the gross income of the recipients thereof for Federal income tax purposes.]

No opinion is given herein as to the effect upon enforceability of the Local Bonds of bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights or in the exercise of judicial discretion in appropriate cases.

We have examined executed and authenticated Local Bond numbered R-1, and in our opinion the form of said bond and its execution and authentication are regular and proper.

Very truly yours,

EXHIBIT C

Monthly Financial Report

[Name of Governmental Agency]

[Name of Bond Issue]

Fiscal Year - ____

Report Month: _____

	ITEM	CURRENT MONTH	YEAR TO DATE	BUDGET YEAR TO DATE	DIFFERENCE
1.	Gross Revenues Collected				
2.	Operation and Maintenance Expense				
3.	Other Bond Debt Payments (including Reserve Fund deposits)				
4.	Bond Payments (include Reserve Fund deposits)				
5.	Renewal and Replacement Fund Deposit				
6.	Funds available for capital construction				

Witnesseth my signature this ___ day of ___, 19__.

[Name of Governmental Agency]

By: _____
Authorized Officer

CHASFS3:58465

SCHEDULE X

DESCRIPTION OF BONDS

Principal Amount of Bonds	\$970,000
Purchase Price of Bonds	\$970,000

Principal on the Bonds is payable quarterly, in the amounts specifically set forth on Schedule Y, commencing March 1, 2001 to and including June 1, 2039. Quarterly payments will be made thereafter on each September 1, December 1, March 1 and June 1, as set forth on Schedule Y attached hereto and incorporated herein by reference. The Bonds shall be issued on a parity with the Governmental Agency's Sewer Revenue Bonds, Series 1999 B (United States Department of Agriculture), issued simultaneously therewith.

The Governmental Agency shall submit its payments monthly to the West Virginia Municipal Bond Commission which will make quarterly payments to the West Virginia Water Development Authority at such address as is given to the West Virginia Municipal Bond Commission in writing by the Authority.

The Bonds will be fully registered in the name of the West Virginia Water Development Authority as to principal only and such Bonds shall grant the Authority a shared first lien on the net revenues of the Governmental Agency's system.

The Governmental Agency may prepay the Bonds in full at any time at the price of par but only with the Council's written consent. The Governmental Agency shall request approval from the Authority and Council in writing of any proposed debt which will be issued by the Governmental Agency on a parity with the Bonds which request must be filed at least 60 days prior to the intended date of issuance.

SCHEDULE Y

City of War, West Virginia
Infrastructure Fund Loan of \$970,000
40 Years, 0% Interest Rate

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
9/01/1999	-	-	-
12/01/1999	-	-	-
3/01/2000	-	-	-
6/01/2000	-	-	-
9/01/2000	-	-	-
12/01/2000	-	-	-
3/01/2001	6,299.00	-	6,299.00
6/01/2001	6,299.00	-	6,299.00
9/01/2001	6,299.00	-	6,299.00
12/01/2001	6,299.00	-	6,299.00
3/01/2002	6,299.00	-	6,299.00
6/01/2002	6,299.00	-	6,299.00
9/01/2002	6,299.00	-	6,299.00
12/01/2002	6,299.00	-	6,299.00
3/01/2003	6,299.00	-	6,299.00
6/01/2003	6,299.00	-	6,299.00
9/01/2003	6,299.00	-	6,299.00
12/01/2003	6,299.00	-	6,299.00
3/01/2004	6,299.00	-	6,299.00
6/01/2004	6,299.00	-	6,299.00
9/01/2004	6,299.00	-	6,299.00
12/01/2004	6,299.00	-	6,299.00
3/01/2005	6,299.00	-	6,299.00
6/01/2005	6,299.00	-	6,299.00
9/01/2005	6,299.00	-	6,299.00
12/01/2005	6,299.00	-	6,299.00
3/01/2006	6,299.00	-	6,299.00
6/01/2006	6,299.00	-	6,299.00
9/01/2006	6,299.00	-	6,299.00
12/01/2006	6,299.00	-	6,299.00
3/01/2007	6,299.00	-	6,299.00
6/01/2007	6,299.00	-	6,299.00
9/01/2007	6,299.00	-	6,299.00
12/01/2007	6,299.00	-	6,299.00
3/01/2008	6,299.00	-	6,299.00
6/01/2008	6,299.00	-	6,299.00
9/01/2008	6,299.00	-	6,299.00
12/01/2008	6,299.00	-	6,299.00
3/01/2009	6,299.00	-	6,299.00
6/01/2009	6,299.00	-	6,299.00
9/01/2009	6,299.00	-	6,299.00
12/01/2009	6,299.00	-	6,299.00
3/01/2010	6,299.00	-	6,299.00
6/01/2010	6,299.00	-	6,299.00
9/01/2010	6,299.00	-	6,299.00
12/01/2010	6,299.00	-	6,299.00
3/01/2011	6,299.00	-	6,299.00

City of War, West Virginia
Infrastructure Fund Loan of \$970,000
40 Years, 0% Interest Rate

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
6/01/2011	6,299.00	-	6,299.00
9/01/2011	6,299.00	-	6,299.00
12/01/2011	6,299.00	-	6,299.00
3/01/2012	6,299.00	-	6,299.00
6/01/2012	6,299.00	-	6,299.00
9/01/2012	6,299.00	-	6,299.00
12/01/2012	6,299.00	-	6,299.00
3/01/2013	6,299.00	-	6,299.00
6/01/2013	6,299.00	-	6,299.00
9/01/2013	6,299.00	-	6,299.00
12/01/2013	6,299.00	-	6,299.00
3/01/2014	6,299.00	-	6,299.00
6/01/2014	6,299.00	-	6,299.00
9/01/2014	6,299.00	-	6,299.00
12/01/2014	6,299.00	-	6,299.00
3/01/2015	6,299.00	-	6,299.00
6/01/2015	6,299.00	-	6,299.00
9/01/2015	6,299.00	-	6,299.00
12/01/2015	6,299.00	-	6,299.00
3/01/2016	6,299.00	-	6,299.00
6/01/2016	6,299.00	-	6,299.00
9/01/2016	6,299.00	-	6,299.00
12/01/2016	6,299.00	-	6,299.00
3/01/2017	6,299.00	-	6,299.00
6/01/2017	6,299.00	-	6,299.00
9/01/2017	6,299.00	-	6,299.00
12/01/2017	6,299.00	-	6,299.00
3/01/2018	6,299.00	-	6,299.00
6/01/2018	6,299.00	-	6,299.00
9/01/2018	6,299.00	-	6,299.00
12/01/2018	6,299.00	-	6,299.00
3/01/2019	6,299.00	-	6,299.00
6/01/2019	6,299.00	-	6,299.00
9/01/2019	6,299.00	-	6,299.00
12/01/2019	6,299.00	-	6,299.00
3/01/2020	6,299.00	-	6,299.00
6/01/2020	6,299.00	-	6,299.00
9/01/2020	6,299.00	-	6,299.00
12/01/2020	6,299.00	-	6,299.00
3/01/2021	6,299.00	-	6,299.00
6/01/2021	6,299.00	-	6,299.00
9/01/2021	6,299.00	-	6,299.00
12/01/2021	6,299.00	-	6,299.00
3/01/2022	6,299.00	-	6,299.00
6/01/2022	6,299.00	-	6,299.00
9/01/2022	6,299.00	-	6,299.00
12/01/2022	6,299.00	-	6,299.00

City of War, West Virginia
Infrastructure Fund Loan of \$970,000
 40 Years, 0% Interest Rate

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+i
3/01/2023	6,299.00	-	6,299.00
6/01/2023	6,299.00	-	6,299.00
9/01/2023	6,299.00	-	6,299.00
12/01/2023	6,299.00	-	6,299.00
3/01/2024	6,299.00	-	6,299.00
6/01/2024	6,299.00	-	6,299.00
9/01/2024	6,299.00	-	6,299.00
12/01/2024	6,299.00	-	6,299.00
3/01/2025	6,299.00	-	6,299.00
6/01/2025	6,299.00	-	6,299.00
9/01/2025	6,299.00	-	6,299.00
12/01/2025	6,299.00	-	6,299.00
3/01/2026	6,299.00	-	6,299.00
6/01/2026	6,299.00	-	6,299.00
9/01/2026	6,299.00	-	6,299.00
12/01/2026	6,299.00	-	6,299.00
3/01/2027	6,299.00	-	6,299.00
6/01/2027	6,299.00	-	6,299.00
9/01/2027	6,299.00	-	6,299.00
12/01/2027	6,299.00	-	6,299.00
3/01/2028	6,298.00	-	6,298.00
6/01/2028	6,298.00	-	6,298.00
9/01/2028	6,298.00	-	6,298.00
12/01/2028	6,298.00	-	6,298.00
3/01/2029	6,298.00	-	6,298.00
6/01/2029	6,298.00	-	6,298.00
9/01/2029	6,298.00	-	6,298.00
12/01/2029	6,298.00	-	6,298.00
3/01/2030	6,298.00	-	6,298.00
6/01/2030	6,298.00	-	6,298.00
9/01/2030	6,298.00	-	6,298.00
12/01/2030	6,298.00	-	6,298.00
3/01/2031	6,298.00	-	6,298.00
6/01/2031	6,298.00	-	6,298.00
9/01/2031	6,298.00	-	6,298.00
12/01/2031	6,298.00	-	6,298.00
3/01/2032	6,298.00	-	6,298.00
6/01/2032	6,298.00	-	6,298.00
9/01/2032	6,298.00	-	6,298.00
12/01/2032	6,298.00	-	6,298.00
3/01/2033	6,298.00	-	6,298.00
6/01/2033	6,298.00	-	6,298.00
9/01/2033	6,298.00	-	6,298.00
12/01/2033	6,298.00	-	6,298.00
3/01/2034	6,298.00	-	6,298.00
6/01/2034	6,298.00	-	6,298.00
9/01/2034	6,298.00	-	6,298.00

City of War, West Virginia
Infrastructure Fund Loan of \$970,000
40 Years, 0% Interest Rate

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
12/01/2034	6,298.00	-	6,298.00
3/01/2035	6,298.00	-	6,298.00
6/01/2035	6,298.00	-	6,298.00
9/01/2035	6,298.00	-	6,298.00
12/01/2035	6,298.00	-	6,298.00
3/01/2036	6,298.00	-	6,298.00
6/01/2036	6,298.00	-	6,298.00
9/01/2036	6,298.00	-	6,298.00
12/01/2036	6,298.00	-	6,298.00
3/01/2037	6,298.00	-	6,298.00
6/01/2037	6,298.00	-	6,298.00
9/01/2037	6,298.00	-	6,298.00
12/01/2037	6,298.00	-	6,298.00
3/01/2038	6,298.00	-	6,298.00
6/01/2038	6,298.00	-	6,298.00
9/01/2038	6,298.00	-	6,298.00
12/01/2038	6,298.00	-	6,298.00
3/01/2039	6,298.00	-	6,298.00
6/01/2039	6,298.00	-	6,298.00
Total	970,000.00	-	970,000.00

YIELD STATISTICS

Bond Year Dollars.....	\$20,223.88
Average Life.....	20.849 Years
Average Coupon.....	-
Net Interest Cost (NIC).....	-
True Interest Cost (TIC).....	1.85E-10
Bond Yield for Arbitrage Purposes.....	1.85E-10
All Inclusive Cost (AIC).....	1.85E-10

IRS FORM 8038

Net Interest Cost.....	-
Weighted Average Maturity.....	20.849 Years

BOND REGISTRY

\$970,000
CITY OF WAR
SEWER REVENUE BONDS,
SERIES 1999A (WEST VIRGINIA INFRASTRUCTURE FUND)
and
\$500,000
CITY OF WAR
SEWER REVENUE BONDS
SERIES 1999B (UNITED STATES DEPARTMENT OF AGRICULTURE)

<u>BOND NO.</u>	<u>AMOUNT</u>	<u>HOLDER</u>	<u>DATE ACQUIRED</u>
AR-1	\$970,000	West Virginia Water Development Authority 180 Association Drive Charleston, WV 25311-1571	June 25, 1999
BR-1	\$500,000	United States of America United States Department of Agriculture 298 Ragland Road Beckley, WV 25801	June 25, 1999

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

\$970,000
CITY OF WAR
SEWER REVENUE BONDS
SERIES 1999A
(WEST VIRGINIA INFRASTRUCTURE FUND)
and
\$500,000
CITY OF WAR
SEWER REVENUE BONDS
SERIES 1999B
(UNITED STATES DEPARTMENT OF AGRICULTURE)

CROSS-RECEIPT FOR BONDS AND BOND PROCEEDS

The undersigned Daniel B. Yonkosky, Director of the West Virginia Water Development Authority (the "WDA"), Rose Mary Christian, Rural Development Specialist of the United States Department of Agriculture, Rural Utilities Service ("RUS"), and Thomas C. Hatcher, Mayor of the City of War, McDowell County, West Virginia (the "Issuer"), hereby certify as follows:

1. On the 25th day of June, 1999, the WDA and RUS received the entire original issue in aggregate principal amounts of \$970,000 and \$500,000 of the Sewer Revenue Bonds, Series 1999A (West Virginia Infrastructure Fund) and Series 1999B (United States Department of Agriculture), respectively, of the Issuer (collectively, the "Bonds"). The Bonds, as so received on original issuance, are dated June 25, 1999, and are issued as Bond Number AR-1 and BR-1, in the denominations of \$970,000 and \$500,000, respectively.

2. At the time of such receipt of the Bonds, the Bonds have been executed by Thomas C. Hatcher, as Mayor of the Issuer, by his manual signature, and by Manuel Collins, as Acting Recorder of the Issuer, by his manual signature, and the official seal of the Issuer had been imprinted upon the Bonds.

3. The Issuer has received and hereby acknowledges receipt from the WDA, as the original purchaser of the Bond Number AR-1, of \$447,244.00, being a portion of the proceeds of Bond Number AR-1, and from RUS, as the original purchaser of Bond Number BR-1, of \$34,416.00, being a portion of the proceeds of Bond Number BR-1. The balance of the proceeds of the Series 1999A Bond and Series 1999B Bond will be advanced from time to time to pay costs of the Project as described in the Loan Agreement and in the Letter of Conditions, as amended.

IN WITNESS WHEREOF, this receipt has been signed and delivered on behalf of the West Virginia Water Development Authority, the United States Department of Agriculture, Rural Utilities Service, and the City of War, McDowell County, West Virginia, as of the 25th day of June, 1999.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

By: Daniel B. Gomboski
Director

UNITED STATES DEPARTMENT OF
AGRICULTURE, Rural Utilities Service

By: Lore Mary Christian

Its: Rural Development Specialist

THE CITY OF WAR

By: Thomas C. Hatcher
Mayor

LAW OFFICES
GOODWIN & GOODWIN, LLP
P. O. BOX 2107
1500 ONE VALLEY SQUARE
CHARLESTON, WEST VIRGINIA 25328-2107
304/346-7000
TELECOPIER 304/344-9692

201 THIRD STREET
PARKERSBURG, WEST VIRGINIA 26101
304/485-2345

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

REPLY TO:

Charleston

June 25, 1999

West Virginia Water Development
Authority
180 Association Drive
Charleston, WV 25311-1571

West Virginia Infrastructure and Jobs
Development Council
980 One Valley Square
Charleston, WV 25301

Re: \$970,000 City of War, West Virginia, Sewer Revenue Bonds, Series 1999A
(West Virginia Infrastructure Fund)

Ladies and Gentlemen:

We are bond counsel to the City of War, West Virginia (the "City"), a municipal corporation located in McDowell County, West Virginia.

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of the Loan Agreement, dated June 25, 1999, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the City and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council ("IJDC"), and (ii) the issuance of a sewer system revenue bond of the City, dated June 25, 1999 (the "Bond"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Bond is in the principal amount of \$970,000 and is issued in the form of one bond registered as to principal to the Authority.

The Bond is non-interest bearing. Principal on the Bond is payable in quarterly installments commencing March 1, 2001, and thereafter in quarterly installments on each March 1, June 1, September 1 and December 1, as set forth on the "Debt Service Schedule" attached as Schedule Y to the Loan Agreement. The final installment of principal on the Bond shall be paid at the end of forty (40) years from the date of issuance of the Bond.

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The Bond is issued for the purpose of financing a portion of the costs of acquiring, constructing and equipping certain additions, betterments and improvements for a new sewer system and paying certain issuance and other costs in connection therewith (the "Project").

We have also examined the applicable provisions of Chapter 16, Article 13 and Chapter 31, Article 15A of the Code of West Virginia of 1931, as amended (collectively, the "Act"), and the Bond has been authorized by a Bond Ordinance duly enacted by the City Council of the City ("Council") effective on April 19, 1999 (the "Ordinance"), pursuant to and under which Act and Ordinance the Bond is authorized and issued, and the Loan Agreement has been undertaken. The Bond is subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Ordinance and the Loan Agreement.

In rendering this opinion, we have relied, in part, upon the opinion of William S. Winfrey, II, as the City's Counsel, for the proper enactment of the Sewage Treatment Ordinance, sewer rates, matters related to the valid existence of the City and other issues.

Based upon the foregoing and upon our examination of such other documents as we have deemed necessary, we are of the opinion as follows:

1. The Loan Agreement has been duly authorized by and executed on behalf of the City and is a valid and binding special obligation of the City enforceable in accordance with the terms thereof.
2. The Loan Agreement inures to the benefit of the Authority and LJDC and cannot be amended so as to affect adversely the rights of the Authority or LJDC or diminish the obligations of the City without the consent of the Authority and LJDC.
3. The City is a duly organized and presently existing municipal corporation of the State of West Virginia, with full power and authority to construct the Project and to operate and maintain the System referred to in the Loan Agreement and to issue and sell the Bond, all under the Act and other applicable provisions of law. The City has legally and validly created the Sanitary Board and has taken all legal action necessary to operate a sewer system.
4. The City has legally and effectively enacted the Ordinance and has satisfied all other necessary requirements in connection with the issuance and sale of the Bond. The Ordinance contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.
5. The Bond is a valid and legally enforceable special obligation of the City, payable from the Net Revenues of the System on a parity with the Issuer's Sewer Revenue Bonds, Series 1999B (United States Department of Agriculture), issued in the principal amount of \$500,000, as referred to in the Ordinance, and secured by a parity lien on and pledge of the Net Revenues of said System, all in accordance with the terms of the Bond, the Ordinance and the Sewage Treatment Ordinance enacted on November 17, 1997, and has been duly issued and delivered to the Authority. The City has reserved the right to issue additional bonds ranking on a parity with the Bond, as provided in the Ordinance. The City has certified, and an independent certified public accountant has certified, that the rates and charges generated by the Sewage Treatment Ordinance are sufficient to pay the principal of and interest on the Bond, when due. The Ordinance requires that such schedule of rates and charges

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be changed and readjusted whenever necessary so that the aggregate of such rates and charges will be sufficient for such purposes.

6. Under existing statutes and court decisions, as presently written and applied, interest on the Bond is excludable from the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and such interest will not be treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations. Under the Code, however, such interest is included in the adjusted current earnings of a corporation for purposes of computing the alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bond in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the interest on the Bond to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bond. We express no opinion herein regarding other tax consequences arising with respect to the Bond.

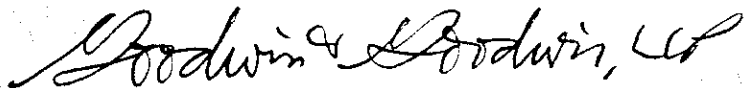
7. Under the Act, as presently written and applied, the Bond and the income thereon are exempt from taxation by the State of West Virginia pursuant to the provisions of Section 16-13-22f of the Code of West Virginia of 1931, as amended.

8. A portion of the proceeds of the Bond will be applied to the repayment, in full, including accrued interest and administrative fee, of the City's outstanding Sewer Revenue Bond, Series 1996 (the "Prior Bonds"), originally issued in the principal amount of \$473,500. Upon repayment of the Prior Bonds, the lien granted upon issuance of the Prior Bonds shall no longer exist.

No opinion is given herein as to the effect upon enforceability of the Bond of bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights or in the exercise of judicial discretion in appropriate cases.

We have examined the executed and authenticated Bond numbered AR-1, and in our opinion, the form of the Bond and its execution and authentication are regular and proper.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Goodwin & Goodwin, LLP", is written over a faint circular stamp.

GOODWIN & GOODWIN, LLP

LAW OFFICES
GOODWIN & GOODWIN, LLP

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304/485-2345

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

REPLY TO
Charleston

June 25, 1999

United States Department of Agriculture, Rural Development
298 Ragland Road
Beckley, WV 25801

Re: \$500,000 City of War, West Virginia, Sewer Revenue Bonds, Series 1999B
(United States Department of Agriculture)

Ladies and Gentlemen:

We are bond counsel to the City of War, West Virginia (the "City"), a municipal corporation located in McDowell County, West Virginia.

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of the Letter of Conditions, dated December 17, 1997, as amended by Amendment No. 1 to Letter of Conditions dated May 24, 1999, including all schedules and exhibits attached thereto (collectively, the "Letter of Conditions"), from the United States Department of Agriculture, Rural Utilities Service ("RUS"), to the City, and (ii) the issuance of a sewer system revenue bond of the City, dated June 25, 1999 (the "Bond"), to be purchased by RUS in accordance with the provisions of the Letter of Conditions. The Bond is in the principal amount of \$500,000 and is issued in the form of one bond registered as to principal and interest to the United States of America (the "Government").

Interest on the Bond shall be paid on the unpaid principal balance of the Bond at four and one half percent (4.5%) per annum. Principal and interest on the Bond is payable in monthly installments commencing June 25, 2001, as set forth in the Bond. The final installment of principal and interest on the Bond shall be paid at the end of forty (40) years from the date interest begins to accrue on the Bond.

The Bond is issued for the purpose of financing a portion of the costs of acquiring, constructing and equipping certain additions, betterments and improvements for a new sewer system and paying certain issuance and other costs in connection therewith (the "Project").

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and paying certain issuance and other costs in connection therewith (the "Project").

We have also examined the applicable provisions of Chapter 16, Article 13 of the Code of West Virginia of 1931, as amended (the "Act"), and the Bond has been authorized by a Bond Ordinance duly enacted by the City Council of the City ("Council") effective on April 19, 1999 (the "Ordinance"), pursuant to and under which Act and Ordinance the Bond is authorized and issued, and the Letter of Conditions has been issued. The Bond is subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Ordinance and the Letter of Conditions.

In rendering this opinion, we have relied, in part, upon the opinion of William S. Winfrey, II, as the City's Counsel, for the proper enactment of the Sewage Treatment Ordinance, sewer rates, matters related to the valid existence of the City and other issues.

Based upon the foregoing and upon our examination of such other documents as we have deemed necessary, we are of the opinion as follows:

1. The Letter of Conditions has been duly accepted by and executed on behalf of the City and is a valid and binding special obligation of the City enforceable in accordance with the terms thereof.

2. The Letter of Conditions inures to the benefit of the Government and RUS and cannot be amended so as to affect adversely the rights of the Government or RUS or diminish the obligations of the City without the consent of the Government and RUS.

3. The City is a duly organized and presently existing municipal corporation of the State of West Virginia, with full power and authority to design the Project and to operate and maintain the System referred to in the Letter of Conditions and to issue and sell the Bond, all under the Act and other applicable provisions of law. The City has legally and validly created the Sanitary Board and has taken all legal action necessary to operate a sewer system.

4. The City has legally and effectively enacted the Ordinance and has satisfied all other necessary requirements in connection with the issuance and sale of the Bond. The Ordinance contains provisions and covenants substantially in the form required by the Letter of Conditions.

5. The Bond is a valid and legally enforceable special obligation of the City, payable from the Net Revenues of the System on a parity with the Issuer's Sewer Revenue Bonds, Series 1999A (West Virginia Infrastructure Fund), issued in the principal amount of \$970,000, as referred to in the Ordinance, and secured by a parity lien on and pledge of the Net Revenues of said System, all in accordance with the terms of the Bond, the Ordinance and the Sewage Treatment Ordinance enacted on November 17, 1997, and has been duly issued and delivered to the Government. The City has reserved the right to issue additional bonds ranking on a parity with the Bond, as provided in the Ordinance. The City has certified, and an independent certified public accountant has verified, that the rates and charges generated by the Sewage Treatment Ordinance are sufficient to pay the principal of and interest on the Bond, when due. The Ordinance requires that such schedule of rates and charges be changed and readjusted whenever necessary so that the aggregate of such rates and charges will be sufficient for such purposes.

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6. Under existing statutes and court decisions, as presently written and applied, interest on the Bond is excludable from the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and such interest will not be treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations. Under the Code, however, such interest is included in the adjusted current earnings of a corporation for purposes of computing the alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bond in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the interest on the Bond to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bond. We express no opinion herein regarding other tax consequences arising with respect to the Bond.

7. Under the Act, as presently written and applied, the Bond and the income thereon are exempt from taxation by the State of West Virginia pursuant to the provisions of Section 16-13-22f of the Code of West Virginia of 1931, as amended.

No opinion is given herein as to the effect upon enforceability of the Bond of bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights or in the exercise of judicial discretion in appropriate cases.

We have examined the executed and authenticated Bond numbered BR-1, and in our opinion, the form of the Bond and its execution and authentication are regular and proper.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Goodwin & Goodwin, LLP", is written over the typed name.

GOODWIN & GOODWIN, LLP

LAW OFFICES
GOODWIN & GOODWIN, LLP

P. O. BOX 2107
1500 ONE VALLEY SQUARE
CHARLESTON, WEST VIRGINIA 25328-2107
304/346-7000
TELECOPIER 304/344-9692

201 THIRD STREET
PARKERSBURG, WEST VIRGINIA 26101
304/485-2345

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

REPLY TO:

Charleston

June 25, 1999

The City of War
P.O. Box 280
War, West Virginia 24892

Re: \$500,000 City of War, West Virginia, Sewer Revenue Bonds, Series 1999B
(United States Department of Agriculture)

Gentlemen:

We have examined a record of proceedings relating to the issuance of the \$500,000 in aggregate principal amount of the City of War, West Virginia, Sewer Revenue Bond, Series 1999B (United States Department of Agriculture) (the "Bond"), issued by The City of War (the "City"), a municipal corporation, and the Non-Arbitrage Certificate executed by Thomas C. Hatcher, Mayor of the City on this date.

We are of the opinion that the facts, estimates and circumstances set forth in the Non-Arbitrage Certificate are sufficient to satisfy the requirements of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code") to support the conclusion that the Bond is not an "arbitrage bond" as therein defined.

The City has general taxing powers to finance operations of or facilities of the nature of the System, and the City and all subordinate entities reasonably expect to issue less than \$5,000,000 of tax-exempt obligations during the calendar year in which the Bond is to be issued and have issued no other tax-exempt obligations during the current calendar year (or if the City has issued tax-exempt

GOODWIN & GOODWIN, LLP

The City of War

June 25, 1999

Page Two

obligations, the total of all bonds issued will be less than the \$5,000,000). Consequently, interest earnings with respect to the Bond in excess of the yield of the Bond are not subject to the rebate requirements of the Code.

No matters have come to our attention which in our opinion make unreasonable or incorrect the representations made in such certification.

Please be advised that this opinion is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bond in order that the Bond not be an "arbitrage bond." Failure to comply with certain of such requirements may cause the interest on the Bond to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bond. The City has covenanted to comply with all such requirements.

Respectfully submitted,

Goodwin + Goodwin, LLP

GOODWIN & GOODWIN, LLP

LAW OFFICES

WILLIAM S. WINFREY, II

1608 MAIN STREET WEST

POST OFFICE BOX 1150

PRINCETON, W. VA. 24740

FILE NO.

TELEPHONE
304-487-1887

TELECOPIER
304-425-7340

June 25, 1999

West Virginia Water Development
Authority
180 Association Drive
Charleston, West Virginia 25311-1571

United States Department of Agriculture
Rural Development
298 Ragland Road
Beckley, West Virginia 25801

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

Goodwin & Goodwin, LLP
P.O. Box 2107
Charleston, West Virginia 25328

Re: \$970,000 City of War, West Virginia
Sewer Revenue Bonds, Series 1999A
(West Virginia Infrastructure Fund); and

\$500,000 City of War, West Virginia
Sewer Revenue Bonds, Series 1999B
(United States Department of Agriculture)

Dear Ladies and Gentlemen:

I am counsel to the City of War, West Virginia (the "City"). I have reviewed various documents relating to the above-captioned bonds of the City (the "Bonds"), including the Loan Agreement by and between the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council and the City, dated June 25, 1999, the Letter of Conditions from the United States Department of Agriculture, Rural Utilities Service ("RUS") to the City, dated December 17, 1997, as amended by Amendment No. 1 dated May 24, 1999, an Ordinance duly enacted and adopted by the Council of the City (the "Council") and effective on April 19, 1999 (the "Ordinance"), a supplemental Resolution approved by the Council on May 24, 1999, and other documents relating to the Bonds. Terms used in this opinion and not otherwise defined herein shall have the same meanings as contained in the Loan Agreement, the Letter of Conditions and the Ordinance.

I am of the opinion that:

1. The City is a duly organized and presently existing municipal corporation, with full power and authority to acquire, construct and equip the Project and to operate and maintain the System referred

to in the Loan Agreement and the Letter of Conditions and to issue and sell the Bonds, all under the Ordinance and other applicable provisions of law.

2. The Loan Agreement has been duly authorized, executed and delivered by the City, and assuming due authorization, execution and delivery by the Authority, constitutes a valid and binding agreement of the City in accordance with its terms.

3. The Letter of Conditions has been duly authorized, accepted and executed by the City and constitutes a valid and binding agreement of the City in accordance with its terms.

4. The members of the Council were duly and properly elected or appointed and are thereby authorized to act on behalf of the City.

5. The Ordinance has been duly enacted by the Council and is in full force and effect.

6. The execution and delivery of the Bonds, the Loan Agreement and the Letter of Conditions and the consummation of the transactions contemplated by the Ordinance, the Loan Agreement and the Letter of Conditions 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 City a breach of or default under any agreement or other instrument to which the City is a party or any existing law, regulation, court order or consent decree to which the City is subject.

7. The City has received all necessary rights of way, permits, licenses, approvals and authorizations that are presently obtainable to acquire, construct, equip and finance the Project including a letter from the West Virginia Infrastructure and Jobs Development Council.

8. The City duly adopted a Sewage Treatment Ordinance on November 17, 1997, which remains in full force and effect, whereby the rates and charges for use of the System were established to meet the operation and maintenance costs of the System and the debt service on the Bonds. Under the terms of the Act, the City has full authority to establish rates for the System and to pledge the revenues from said rates to the payment of the Bonds.

9. To the best of my knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public council or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by or the validity of the Bonds or the collection or pledge of the revenues.

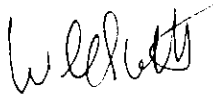
10. The City has received a Commission Order from the Public Service Commission of West Virginia dated June 4, 1999, granting approval of the financing, including the above referenced Bonds, granting a Certificate of Convenience and Necessity, and said Order is in full force and effect and the time for appeal has expired without appeal.

11. Based upon my review of the contracts, the surety bonds and the policies or other evidence of insurance coverage in connection with the Project, I am of the opinion that such surety bonds and policies (1) are in compliance with the contracts; (2) are adequate in form, substance and a

amount to protect the various interests of the City; (3) have been executed by duly authorized representatives of the proper parties; (4) meet the requirements of the Act, the Ordinance, the Loan Agreement and the Letter of Conditions, and (5) all such documents constitute valid and legally binding obligations of the parties thereto in accordance with the terms, conditions and provisions thereof.

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

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. S. Winfrey, II', with a stylized flourish at the end.

William S. Winfrey, II

cc: City of War, West Virginia
Region I

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

REVISED NEW ISSUE REPORT FORM

Date of Report: June 25, 1999
(See Reverse for Instructions)

ISSUE: City of War, Sewer Revenue Bonds, Series 1999A
(West Virginia Infrastructure Fund)
ADDRESS: P.O. Box 280
War, WV 24892 COUNTY: McDowell
PURPOSE: New Money X
OF ISSUE: Refunding X Refunds issue dated: September 12, 1996
ISSUE DATE: June 25, 1999 CLOSING DATE: June 25, 1999
ISSUE AMOUNT: \$970,000 RATE: 0%
1ST DEBT SERVICE DUE: March 1, 2001 1ST PRINCIPAL DUE: March 1, 2001
1ST DEBT SERVICE AMOUNT: \$6,299.00 PAYING AGENT: Municipal
Bond Commission

BOND COUNSEL: Goodwin & Goodwin, LLP LENDER: WV Infrastructure & Jobs Devel. Coun.
Contact Person: W.K. Bragg, Jr. Contact Person: Susan J. Riggs
Phone 346-7000 Phone: 558-4607

REGISTRAR: McDowell County National Bank LENDER'S COUNSEL: Jackson & Kelly PLLC
Contact Person: David W. Falin Contact Person: Samme L. Gee
Phone: (304) 436-4112 Phone: 340-1318

KNOWLEDGEABLE ISSUER CONTACT:
Contact Person: Thomas C. Hatcher
Position: Mayor
Phone: 875-3111

DEPOSITS TO MBC AT CLOSE:
By X Wire _____ Accrued Interest: \$ 0
_____ Check _____ Capitalized Interest: \$ 0
_____ Other: CWSRF \$429,939.44 Payoff Sewer Revenue Bond, Series 1996

REFUNDS & TRANSFERS BY MBC AT CLOSE:
By _____ Wire _____ To Escrow Trustee: \$ N/A
_____ Check _____ To Issuer: \$ N/A
_____ IGT _____ To Cons. Invest. Fund: \$ N/A
_____ Other: _____ \$ _____

Notes: _____

FOR MUNICIPAL BOND COMMISSION USE ONLY:

DOCUMENTS

REQUIRED: _____

TRANSFERS

REQUIRED: _____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
THE CITY OF WAR
SEWER REVENUE BOND,
SERIES 1999A
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-1
\$970,000.00

Date: June 25, 1999

KNOW ALL MEN BY THESE PRESENTS: That THE CITY OF WAR, WEST VIRGINIA, a municipal corporation and political subdivision of the State of West Virginia in McDowell County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the order of the West Virginia Water Development Authority (the "Authority") or registered assigns, the sum of Nine Hundred Seventy Thousand and 00/100 Dollars (\$970,000.00), or such lesser amount as set forth on the Record of Advances attached as Exhibit A hereto and incorporated herein by reference. This Bond is non interest bearing. Principal on the Bond is payable in quarterly installments commencing March 1, 2001, and thereafter in quarterly installments on each March 1, June 1, September 1 and December 1, as set forth on the "Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference. The final installment of principal shall be paid at the end of forth (40) years from the date hereof and shall be in an amount of outstanding principal due on the Bond at said date. Notwithstanding any provision of this Bond to the contrary, this Bond shall evidence only the indebtedness reflected as outstanding on the Record of Advances attached hereto.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). Principal on this Bond are payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of McDowell County National Bank in Welch, Welch, West Virginia (the "Registrar"), on the 15th day of the month next preceding such payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole at par, but only upon thirty (30) days prior written notice to the Authority and the West Virginia Infrastructure and Jobs Development Council ("IJC") and upon the terms and conditions prescribed by and otherwise in compliance with the Loan Agreement by and between the Issuer and the Authority, on behalf of the IJC.

This Bond is issued (i) to pay a portion of the costs of acquisition, construction and equipping of certain extensions, additions, betterments and improvements to the public sewer facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance hereof and related costs. The sewer system of the Issuer, together with the Project, and any further extensions, additions, betterments or improvements thereto is herein called the "System". This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13 and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (the "Act"), and an Ordinance duly enacted by the Issuer and effective April 19, 1999 (the "Ordinance"), and is subject to all the terms and conditions thereof. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bond under the Ordinance.

This Bond is payable only from and secured by a parity pledge of the Net Revenues (as defined in the Ordinance) to be derived from the operation of the System, from moneys in the Reserve Account created under the Ordinance for the Bond (the "Series 1999A Bonds Reserve Account") and unexpended proceeds of the Bond. Such Net Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1999A Bond Reserve Account and unexpended proceeds of the Bond. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System and to leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount payable in any year for principal of and interest on the Bond, the Series 1999B Bonds, as hereinafter defined, and all other obligations secured by a lien on or payable from such net revenues prior to or on a parity with the Bond, provided however, that so long as there exists in the Series 1999A Bond Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bond in the then current or any succeeding year and in the reserve account established for any other obligations outstanding on a parity with the Bond, including the Series 1999B Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to one hundred ten percent (110%). The Issuer has entered into certain further covenants with the registered owners of the Bond for the terms of which reference is made to the Ordinance. Remedies provided the registered owners of the Bond are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Ordinance, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or its attorney duly authorized in

writing.

Subject to the registration requirements set forth herein, this Bond, under the provision of the Act, is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project described in the Ordinance and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the owner of this Bond.

In accordance with the requirements of the United States Department of Agriculture for the issuance of parity obligations, the Bonds will be in default should any proceeds of the Bonds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

All provisions of the Ordinance, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S SEWER REVENUE BONDS, SERIES 1999B (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED JUNE 25, 1999, ISSUED CONCURRENTLY HERewith IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$500,000 (THE "SERIES 1999B BONDS").

IN WITNESS WHEREOF, THE CITY OF WAR has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto affixed and attested by its Acting Recorder and has caused this Bond to be dated June 25, 1999.

THE CITY OF WAR, WEST VIRGINIA

[SEAL]

By: Thomas C. Hatcher
Mayor

ATTEST:

Manuel Collins
Acting Recorder

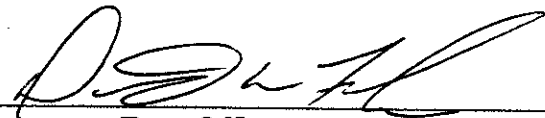
CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is the Series 1999A Bond described in the within-mentioned Ordinance and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: June 25, 1999

MCDOWELL COUNTY NATIONAL BANK IN WELCH

By:



Trust Officer

EXHIBIT A

RECORD OF ADVANCES

<u>AMOUNT</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>DATE</u>
(1) \$447,244.00	6/25/99	(6) \$ _____	
(2) \$ _____		(7) \$ _____	
(3) \$ _____		(8) \$ _____	
(4) \$ _____		(9) \$ _____	
(5) \$ _____		(10) \$ _____	
TOTAL \$ _____			

City of War, West Virginia
Infrastructure Fund Loan of \$970,000
 40 Years, 0% Interest Rate

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
9/01/1999	-	-	-
12/01/1999	-	-	-
3/01/2000	-	-	-
6/01/2000	-	-	-
9/01/2000	-	-	-
12/01/2000	-	-	-
3/01/2001	6,299.00	-	6,299.00
6/01/2001	6,299.00	-	6,299.00
9/01/2001	6,299.00	-	6,299.00
12/01/2001	6,299.00	-	6,299.00
3/01/2002	6,299.00	-	6,299.00
6/01/2002	6,299.00	-	6,299.00
9/01/2002	6,299.00	-	6,299.00
12/01/2002	6,299.00	-	6,299.00
3/01/2003	6,299.00	-	6,299.00
6/01/2003	6,299.00	-	6,299.00
9/01/2003	6,299.00	-	6,299.00
12/01/2003	6,299.00	-	6,299.00
3/01/2004	6,299.00	-	6,299.00
6/01/2004	6,299.00	-	6,299.00
9/01/2004	6,299.00	-	6,299.00
12/01/2004	6,299.00	-	6,299.00
3/01/2005	6,299.00	-	6,299.00
6/01/2005	6,299.00	-	6,299.00
9/01/2005	6,299.00	-	6,299.00
12/01/2005	6,299.00	-	6,299.00
3/01/2006	6,299.00	-	6,299.00
6/01/2006	6,299.00	-	6,299.00
9/01/2006	6,299.00	-	6,299.00
12/01/2006	6,299.00	-	6,299.00
3/01/2007	6,299.00	-	6,299.00
6/01/2007	6,299.00	-	6,299.00
9/01/2007	6,299.00	-	6,299.00
12/01/2007	6,299.00	-	6,299.00
3/01/2008	6,299.00	-	6,299.00
6/01/2008	6,299.00	-	6,299.00
9/01/2008	6,299.00	-	6,299.00
12/01/2008	6,299.00	-	6,299.00
3/01/2009	6,299.00	-	6,299.00
6/01/2009	6,299.00	-	6,299.00
9/01/2009	6,299.00	-	6,299.00
12/01/2009	6,299.00	-	6,299.00
3/01/2010	6,299.00	-	6,299.00
6/01/2010	6,299.00	-	6,299.00
9/01/2010	6,299.00	-	6,299.00
12/01/2010	6,299.00	-	6,299.00
3/01/2011	6,299.00	-	6,299.00

City of War, West Virginia
Infrastructure Fund Loan of \$970,000
40 Years, 0% Interest Rate

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
6/01/2011	6,299.00	-	6,299.00
9/01/2011	6,299.00	-	6,299.00
12/01/2011	6,299.00	-	6,299.00
3/01/2012	6,299.00	-	6,299.00
6/01/2012	6,299.00	-	6,299.00
9/01/2012	6,299.00	-	6,299.00
12/01/2012	6,299.00	-	6,299.00
3/01/2013	6,299.00	-	6,299.00
6/01/2013	6,299.00	-	6,299.00
9/01/2013	6,299.00	-	6,299.00
12/01/2013	6,299.00	-	6,299.00
3/01/2014	6,299.00	-	6,299.00
6/01/2014	6,299.00	-	6,299.00
9/01/2014	6,299.00	-	6,299.00
12/01/2014	6,299.00	-	6,299.00
3/01/2015	6,299.00	-	6,299.00
6/01/2015	6,299.00	-	6,299.00
9/01/2015	6,299.00	-	6,299.00
12/01/2015	6,299.00	-	6,299.00
3/01/2016	6,299.00	-	6,299.00
6/01/2016	6,299.00	-	6,299.00
9/01/2016	6,299.00	-	6,299.00
12/01/2016	6,299.00	-	6,299.00
3/01/2017	6,299.00	-	6,299.00
6/01/2017	6,299.00	-	6,299.00
9/01/2017	6,299.00	-	6,299.00
12/01/2017	6,299.00	-	6,299.00
3/01/2018	6,299.00	-	6,299.00
6/01/2018	6,299.00	-	6,299.00
9/01/2018	6,299.00	-	6,299.00
12/01/2018	6,299.00	-	6,299.00
3/01/2019	6,299.00	-	6,299.00
6/01/2019	6,299.00	-	6,299.00
9/01/2019	6,299.00	-	6,299.00
12/01/2019	6,299.00	-	6,299.00
3/01/2020	6,299.00	-	6,299.00
6/01/2020	6,299.00	-	6,299.00
9/01/2020	6,299.00	-	6,299.00
12/01/2020	6,299.00	-	6,299.00
3/01/2021	6,299.00	-	6,299.00
6/01/2021	6,299.00	-	6,299.00
9/01/2021	6,299.00	-	6,299.00
12/01/2021	6,299.00	-	6,299.00
3/01/2022	6,299.00	-	6,299.00
6/01/2022	6,299.00	-	6,299.00
9/01/2022	6,299.00	-	6,299.00
12/01/2022	6,299.00	-	6,299.00

City of War, West Virginia
Infrastructure Fund Loan of \$970,000
40 Years, 0% Interest Rate

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
3/01/2023	6,299.00	-	6,299.00
6/01/2023	6,299.00	-	6,299.00
9/01/2023	6,299.00	-	6,299.00
12/01/2023	6,299.00	-	6,299.00
3/01/2024	6,299.00	-	6,299.00
6/01/2024	6,299.00	-	6,299.00
9/01/2024	6,299.00	-	6,299.00
12/01/2024	6,299.00	-	6,299.00
3/01/2025	6,299.00	-	6,299.00
6/01/2025	6,299.00	-	6,299.00
9/01/2025	6,299.00	-	6,299.00
12/01/2025	6,299.00	-	6,299.00
3/01/2026	6,299.00	-	6,299.00
6/01/2026	6,299.00	-	6,299.00
9/01/2026	6,299.00	-	6,299.00
12/01/2026	6,299.00	-	6,299.00
3/01/2027	6,299.00	-	6,299.00
6/01/2027	6,299.00	-	6,299.00
9/01/2027	6,299.00	-	6,299.00
12/01/2027	6,299.00	-	6,299.00
3/01/2028	6,298.00	-	6,298.00
6/01/2028	6,298.00	-	6,298.00
9/01/2028	6,298.00	-	6,298.00
12/01/2028	6,298.00	-	6,298.00
3/01/2029	6,298.00	-	6,298.00
6/01/2029	6,298.00	-	6,298.00
9/01/2029	6,298.00	-	6,298.00
12/01/2029	6,298.00	-	6,298.00
3/01/2030	6,298.00	-	6,298.00
6/01/2030	6,298.00	-	6,298.00
9/01/2030	6,298.00	-	6,298.00
12/01/2030	6,298.00	-	6,298.00
3/01/2031	6,298.00	-	6,298.00
6/01/2031	6,298.00	-	6,298.00
9/01/2031	6,298.00	-	6,298.00
12/01/2031	6,298.00	-	6,298.00
3/01/2032	6,298.00	-	6,298.00
6/01/2032	6,298.00	-	6,298.00
9/01/2032	6,298.00	-	6,298.00
12/01/2032	6,298.00	-	6,298.00
3/01/2033	6,298.00	-	6,298.00
6/01/2033	6,298.00	-	6,298.00
9/01/2033	6,298.00	-	6,298.00
12/01/2033	6,298.00	-	6,298.00
3/01/2034	6,298.00	-	6,298.00
6/01/2034	6,298.00	-	6,298.00
9/01/2034	6,298.00	-	6,298.00

City of War, West Virginia
Infrastructure Fund Loan of \$970,000
40 Years, 0% Interest Rate

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
12/01/2034	6,298.00	-	6,298.00
3/01/2035	6,298.00	-	6,298.00
6/01/2035	6,298.00	-	6,298.00
9/01/2035	6,298.00	-	6,298.00
12/01/2035	6,298.00	-	6,298.00
3/01/2036	6,298.00	-	6,298.00
6/01/2036	6,298.00	-	6,298.00
9/01/2036	6,298.00	-	6,298.00
12/01/2036	6,298.00	-	6,298.00
3/01/2037	6,298.00	-	6,298.00
6/01/2037	6,298.00	-	6,298.00
9/01/2037	6,298.00	-	6,298.00
12/01/2037	6,298.00	-	6,298.00
3/01/2038	6,298.00	-	6,298.00
6/01/2038	6,298.00	-	6,298.00
9/01/2038	6,298.00	-	6,298.00
12/01/2038	6,298.00	-	6,298.00
3/01/2039	6,298.00	-	6,298.00
6/01/2039	6,298.00	-	6,298.00
Total	970,000.00	-	970,000.00

YIELD STATISTICS

Bond Year Dollars.....	\$20,223.88
Average Life.....	20.849 Years
Average Coupon.....	-
Net Interest Cost (NIC).....	-
True Interest Cost (TIC).....	1.85E-10
Bond Yield for Arbitrage Purposes.....	1.85E-10
All Inclusive Cost (AIC).....	1.85E-10

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Net Interest Cost.....	-
Weighted Average Maturity.....	20.849 Years

ASSIGNMENT

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

Dated: _____, 19__.

SPECIMEN

(Assignor)

Witnessed in the presence of:

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
THE CITY OF WAR
SEWER REVENUE BOND,
SERIES 1999B
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. BR-1
\$500,000

Date: June 25, 1999

FOR VALUE RECEIVED, THE CITY OF WAR, WEST VIRGINIA, a municipal corporation and political subdivision of the State of West Virginia in McDowell County of said State (herein called "Issuer"), hereby promises to pay to the order of the United States of America (the "Government") or its registered assigns at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of Five Hundred Thousand and 00/100 Dollars (\$500,000), plus interest on the unpaid principal balance at the rate of four and one half percent (4.5%) per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing on the 30th day following delivery of the Series 1999B Bond and continuing on the corresponding day of each month for the first twenty-four (24) months after the date hereof, and \$2,295.00 covering principal and interest, thereafter on said corresponding day of each month, except that the final installment shall be paid at the end of forty (40) years from the date of this Series 1999B Bond, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

Every payment made on any indebtedness evidenced by this Series 1999B Bond shall be applied first to interest computed to the effective date of the payment and then to the principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Issuer. Refunds and extra payments, as defined in the regulations of the Rural Development, acting on behalf of the Rural Utilities Service, according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Series 1999B Bond and shall not affect the obligation of Issuer to pay the remaining installments as scheduled herein.

If the Government at any time assigns this Series 1999B Bond and insures the payment thereof, Issuer shall continue to make payments to the Government as collection agent for the holder.

While this Series 1999B Bond is held by an insured lender, prepayments as above authorized made by Issuer may, at the option of the Government, be remitted by the Government

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

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

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

This Series 1999B Bond, together with the Issuer's Sewer Revenue Bonds, Series 1999A (West Virginia Infrastructure Fund) (the "Series 1999A Bonds") and any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing a portion of the costs of construction of improvements to a sewer system (the "System") of the Issuer, are payable solely from the revenues to be derived from the operation of the System after there have been first paid from such revenues the reasonable current costs of operation and maintenance of the System. This Series 1999B Bond does not in any manner constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation.

Registration of this Series 1999B 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 McDowell County National Bank in Welch, Welch, West Virginia, as Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Bond Ordinance enacted by the Issuer on April 19, 1999, and upon surrender and cancellation of this Series 1999B Bond. Upon such transfer a new Series 1999B Bond or Bonds, of authorized denomination or denominations, for the like principal amount, will be issued to the transferee in exchange herefor.

This Series 1999B 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 Series 1999B Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13 of the West Virginia Code (herein called the "Act").

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

This Series 1999B Bond is given as evidence of a loan to Issuer made or insured by the Government pursuant to the Consolidated Farmers Home Rural Development Act, as amended. This Bond shall be subject to the present regulations of the Rural Development, acting on behalf of the Rural Utilities Service, and to its future regulations not inconsistent with the express provisions hereof.

THIS SERIES 1999B BOND IS ON A PARITY AS TO LIEN AND SOURCE OF PAYMENT WITH THE SEWER REVENUE BOND, SERIES 1999A (WEST VIRGINIA INFRASTRUCTURE FUND), OF THE ISSUER DESCRIBED IN THE ORDINANCE ISSUED WITH RESPECT TO SUCH SERIES.

The initial address of United States Department of Agriculture-Rural Development for purposes of bond registration is P.O. Box 678, Morgantown, WV 26505.

This Series 1999B Bond will be in default should any proceeds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as set forth in Exhibit M of subpart G of Part 1940 of Title 7 of the Code of Federal Regulations, as amended.

IN WITNESS WHEREOF, the CITY OF WAR has caused this Series 1999B Bond to be executed by its Mayor and its corporate seal to be hereunto affixed or imprinted hereon and attested by its Acting Recorder, all as of the date hereinabove written.

CITY OF WAR

(SEAL)

By: Thomas C. Hatcher

SPECIMEN
Mayor
P.O. Box 280
War, WV 24892

ATTEST:

By: Manuell Collins
Acting Recorder

RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$34,416.00	6/25/99		
(2) \$		(7) \$	(6) \$
(3) \$		(8) \$	
(4) \$		(9) \$	
(5) \$		(10) \$	

TOTAL \$ _____

(Form of Assignment)

SPECIMEN
ASSIGNMENT

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

DATED: _____

In the presence of:
