

CITY OF SMITHERS
SEWER REVENUE BONDS,
SERIES 2003 A
(UNITED STATES DEPARTMENT OF AGRICULTURE),
AND SERIES 2003 B
(WEST VIRGINIA INFRASTRUCTURE FUND)

BOND ORDINANCE

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CITY OF SMITHERS

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE SEWER SYSTEM OF THE CITY OF SMITHERS AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN \$500,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2003 A (UNITED STATES DEPARTMENT OF AGRICULTURE) AND NOT MORE THAN \$800,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2003 B (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; 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 SMITHERS:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Ordinance. This Ordinance (together with any ordinance, order or resolution supplemental hereto or amendatory hereof, the "Bond Legislation") is 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 Smithers (the "Issuer") is a municipal corporation and political subdivision of the State of West Virginia in Fayette County of said State.

B. The Issuer presently owns or operates a public sewerage system. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired and constructed improvements to the public sewerage system of the Issuer. The proposed improvements will consist of approximately 5,500 linear feet of gravity sewer main, 40 linear feet of highway crossing 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"), 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 has entered into a Compliance Order with the West Virginia Department of Environmental Protection (the "DEP") to make certain improvements to the System that are a part of the Project.

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 requesting the enactment of this Ordinance and the issuance of the Series 2003 Bonds, as hereinafter defined.

E. The Issuer is the beneficiary of a West Virginia Infrastructure and Jobs Development Council ("IJC") grant in the amount of \$1,023,000, a United States Department of Agriculture, Rural Utilities Service ("RUS") grant in the amount of \$1,319,000 and a Small Cities Block Grant in the amount of \$750,000, the proceeds of which, together with the Bond proceeds, will be used to acquire, construct and equip the Project.

F. The Issuer currently has outstanding its Sewer Revenue Bonds, Series 1965, dated April 1, 1965, issued in the original principal amount of \$310,000, and a Step I Loan, dated May 2, 1977, in the original principal amount of \$5,885 (collectively, the "Prior Bonds"). A portion of the proceeds of the Series 2003 Bonds will be used to defease the Prior Bonds, after which the Prior Bonds will no longer have a lien on the Net Revenues of the System and the ordinances authorizing the issuance of the Prior Bonds will be terminated.

G. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all costs of operation and maintenance of the System, the principal of and interest on the Series 2003 Bonds (as hereinafter defined) and payments into all funds and accounts and other payments provided for herein.

H. It is deemed necessary for the Issuer to issue its Sewer Revenue Bonds in the total aggregate principal amount of not more than \$1,300,000 in two series, being the Sewer Revenue Bonds, Series 2003 A (United States Department of Agriculture), in the aggregate principal amount of not more than \$500,000 (the "Series 2003 A Bonds"), and the Sewer Revenue Bonds, Series 2003 B (West Virginia Infrastructure Fund), in the aggregate principal amount of not more than \$800,000 (the "Series 2003 B Bonds"), to permanently finance a portion of the costs of acquisition and construction of the Project (collectively, the "Series 2003 Bonds"). The remaining costs of the Project shall be funded from the sources set forth in Section 1.02 E. above. Such costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Series 2003 Bonds prior to and during acquisition and construction of the Project and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in any Reserve Account (as hereinafter defined); amounts necessary to defease the Prior Bonds; 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 and expenses of the Authority (as hereinafter defined), discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2003 Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2003 Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

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

J. It is in the best interests of the Issuer that its Series 2003 A Bonds be sold to the Purchaser (as hereinafter defined) pursuant to the terms and provisions of the Letter of Conditions (as hereinafter defined) and its Series 2003 B Bonds be sold to the Authority (as hereinafter defined) pursuant to the terms and provisions of a loan agreement (the "Loan Agreement") by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), in form satisfactory to the Issuer, the Authority and the Council, approved hereby if not previously approved by resolution of the Issuer.

K. Upon the defeasance of the Prior Bonds at the closing of the Series 2003 Bonds, there will be no other outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System. The Series 2003 A Bonds and the Series 2003 B Bonds shall be issued on parity with each other, with respect to liens, pledge and source of and security for payment.

L. The Issuer has complied with all requirements of West Virginia law, the Letter of Conditions and the Loan Agreement relating to authorization of the acquisition, construction and operation of the Project and the System, including, without limitation, the imposition of rates and charges, repayment of the Prior Bonds, and the issuance of the Series 2003 Bonds, or will have so complied prior to issuance of any thereof, including, the approval of the Project and the financing thereof by the Council and the obtaining of a certificate of convenience and necessity from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Series 2003 Bonds or such final order will not be subject to appeal.

M. Pursuant to the Act, the Council has approved the Project and has authorized the Authority to make a loan to the Issuer from the West Virginia Infrastructure Fund.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2003 Bonds by the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Bondholders of any and all of such Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds and 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, collectively, 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 and Registered Owner of the Series 2003 B Bonds, or any other agency, board or department of the State of West Virginia that succeeds to the functions of the Authority, acting in its administrative capacity and upon authorization from the Council under the Act.

"Authorized Officer" means the Mayor of the Issuer, or any other officer of the Issuer specifically designated by resolution of the Governing Body.

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

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

"Bond Registrar" means the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns.

"Bonds" means, collectively, the Series 2003 A Bonds, the Series 2003 B Bonds, and, where appropriate, any bonds on a parity therewith subsequently authorized to be issued hereunder or by another ordinance of the Issuer.

"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.

"Closing Date" means the date upon which there is an exchange of the Series 2003 A Bonds for all or a portion of the proceeds of the Series 2003 A Bonds from the Purchaser and the Series 2003 B Bonds for all or a portion of the proceeds of the Series 2003 B Bonds from the Authority and the Council.

"Code" means the Internal Revenue Code of 1986, as amended, and the Regulations.

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

"Consulting Engineers" means Ghosh Engineers, Inc., Charleston, West Virginia, or any qualified engineer or firm of engineers, licensed by the State, that shall at any time hereafter be procured by the Issuer as Consulting Engineers for the System, or portion thereof, in accordance with

Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended; provided however, that the Consulting Engineers shall not be a regular, full-time employee of the State or any of its agencies, commissions, or political subdivisions.

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

"Council" 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 the Council.

"Depository Bank" means the bank designated as such in the Supplemental Resolution, 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 any other governing body of the Issuer that succeeds to the functions of the council as presently 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" means, collectively, all grant moneys received by the Issuer for 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 8.01 hereof) or any Tap Fees, as hereinafter defined.

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

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

"Investment Property" means

(A) any security (within the meaning of Section 165(g)(2)(A) or (B) of the Code),

(B) any obligation,

(C) any annuity contract,

(D) any investment-type property, or

(E) in the case of a bond other than a private activity bond, any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan.

Except as provided in the following sentence, the term "Investment Property" does not include any tax-exempt bond. With respect to an issue other than an issue a part of which is a specified private activity bond (as defined in section 57(a)(5)(C) of the Code), the term "Investment Property" includes a specified private activity bond (as so defined).

"Issuer" means the City of Smithers, a municipal corporation and political subdivision of the State of West Virginia, in Fayette County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Letter of Conditions" means, collectively, the Letter of Conditions of the Purchaser dated May 18, 1994, Amendment No. 1 to Letter of Conditions dated January 29, 1998, Amendment No. 2 to Letter of Conditions dated November 14, 2002, and all other amendments thereto, providing for the purchase of the Series 2003 A Bonds from the Issuer by the Purchaser.

"Loan Agreement" means the Loan Agreement heretofore entered, or to be entered, into between the Issuer and the Authority, on behalf of the Council, providing for the purchase of the Series 2003 B Bonds from the Issuer by the Authority, the form of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified by the Supplemental Resolution.

"Mayor" means the Mayor of the Issuer.

"Net Proceeds" means the face amount of the Series 2003 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the any Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2003 Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

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

"Nonpurpose Investment" means any Investment Property as defined in Section 148(b) of the Code, that is not a purpose investment.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality of the

foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the costs, fees and expenses of the Authority, fiscal agents, the Depository Bank, the Registrar and the 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.

"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 X hereof; and (iv) for purposes of consents or other action by a specified percentage of Bondholders, any Bonds registered to the Issuer.

"Parity Bonds" means additional Bonds issued under the provisions and within the limitations prescribed by Section 7.07 hereof.

"Paying Agent" means the Commission or such other entity or authority as may be designated as a Paying Agent for the Series 2003 B Bonds by the Issuer in the Supplemental Resolution.

"Private Business Use" means use (directly or indirectly) in a trade or business carried on by any person other than a governmental unit; provided that, use as a member of the general public shall not be taken into account.

"Project" means the Project as described in Section 1.02B hereof.

"Purchaser" or "Government" means the United States Department of Agriculture and any successor thereof acting for and on behalf of the United States of America, which is expected to be the original purchaser and Registered Owner of the Series 2003 A Bonds.

"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, 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 Investment Management Board pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended; and

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

"Recorder" means the Recorder of the Issuer.

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

"Registrar" means the Bond Registrar.

"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 5.01 hereof.

"Reserve Accounts" means, collectively, the respective reserve accounts established for the Series 2003 Bonds.

"Reserve Requirement" means, collectively, the respective amounts required to be on deposit in the Reserve Accounts.

"Revenue Fund" means the Revenue Fund established by Section 5.01 hereof.

"Sanitary Board" means the Sanitary Board of the Issuer.

"Series 2003 Bonds" means, collectively, the Series 2003 A Bonds and the Series 2003 B Bonds.

"Series 2003 A Bonds" means the Sewer Revenue Bonds, Series 2003 A (United States Department of Agriculture), of the Issuer, authorized by this Ordinance.

"Series 2003 A Bonds Construction Trust Fund" means the Series 2003 A Bonds Construction Trust Fund established by Section 5.01 hereof.

"Series 2003 A Bonds Reserve Account" means the Series 2003 A Bonds Reserve Account established by Section 5.02 hereof.

"Series 2003 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2003 A Bonds in the then current or any succeeding year.

"Series 2003 B Bonds" means the Sewer Revenue Bonds, Series 2003 B (West Virginia Infrastructure Fund), of the Issuer, authorized by this Ordinance.

"Series 2003 B Bonds Construction Trust Fund" means the Series 2003 B Bonds Construction Trust Fund created by Section 5.01 hereof.

"Series 2003 B Bonds Reserve Account" means the Series 2003 B Bonds Reserve Account established by Section 5.02 hereof.

"Series 2003 B Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 2003 B Bonds in the then current or any succeeding year.

"Series 2003 B Bonds Sinking Fund" means the Series 2003 B Bonds Sinking Fund established by Section 5.02 hereof.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution, ordinance or order of the Issuer supplementing or amending this Ordinance and, when preceded by the article "the," refers specifically to the supplemental resolution authorizing the sale of the Series 2003 Bonds; provided, that any matter intended by this Ordinance to be included in the Supplemental Resolution with respect to the Series 2003 Bonds, and not so included may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Bonds, including, without limitation, the Reserve Accounts, the Depreciation Account and the Renewal and Replacement Fund.

"System" means the complete sewerage system of the Issuer, including all sewerage facilities owned by the Issuer and all facilities and other property of every nature, real or personal, now or hereafter owned, held or used in connection with the sewerage system; and shall include the Project and any and all extensions, additions, betterments and improvements thereto hereafter acquired or constructed for the sewerage system from any sources whatsoever, both within and without the Issuer.

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

"West Virginia Infrastructure Fund" means the West Virginia Infrastructure Fund established in accordance with Chapter 31, Article 15A, Section 9 of the West Virginia Code of 1931, as amended and in effect on the date of enactment hereof.

Additional terms and phrases are defined in this Ordinance as they are used. Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of not to exceed \$4,392,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Bonds hereby authorized shall be applied as provided in Article VI hereof. The Issuer has received bids and will enter into contracts for the acquisition and construction of the Project, in an amount and otherwise compatible with the financing plan submitted to the Purchaser, the Authority and the Council.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 2003 Bonds, funding reserve accounts for the Series 2003 Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued the negotiable Series 2003 A Bonds and the Series 2003 B Bonds of the Issuer. The Series 2003 A Bonds shall be issued as a single bond, designated "Sewer Revenue Bond, Series 2003 A (United States Department of Agriculture)", in the principal amount of not more than \$500,000; and the Series 2003 B Bonds shall be issued as a single bond, designated "Sewer Revenue Bond, Series 2003 B (West Virginia Infrastructure Fund)", in the principal amount of not more than \$800,000, and each shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2003 Bonds remaining after funding of the Reserve Accounts (if funded from Bond proceeds) and capitalizing interest on the Series 2003 Bonds, if any, shall be deposited in or credited to the respective Bond Construction Trust Funds established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. A. The Series 2003 A Bonds shall be issued in such principal amounts; shall bear interest at such rate or rates, not exceeding the then legal maximum rate, payable monthly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in the Supplemental Resolution or as specifically provided in the Series 2003 A Bond.

B. The Series 2003 B Bonds shall be issued in such principal amounts; shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum rate, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in the Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 2003 B Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest, if any, on the Series 2003 B Bonds shall be paid by check or draft of the Paying Agent or its agent, mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 2003 A Bonds shall initially be issued in the form of a single bond, fully registered to the Purchaser, with a record of advances attached representing the aggregate principal amount of the Series 2003 A Bonds. The Series 2003 B Bonds shall initially be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of the Series 2003 B Bonds, all as provided in the Supplemental Resolution. The Series 2003 Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that neither the Purchaser nor the Authority shall be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form, in such denominations, dated such dates and bear interest at such rates as determined by a Supplemental Resolution.

Section 3.03. Execution of Bonds. The Series 2003 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 the Series 2003 Bonds shall cease to be such officer of the Issuer before the Series 2003 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. Bond Registrar; Authentication and Registration. A. The Issuer shall be the Bond Registrar with respect to the Series 2003 A Bonds and will keep or cause to be kept at its office by its agent, sufficient books for the registration and transfer of the Series 2003 A Bonds, and, upon presentation for such purpose, the Bond Registrar shall, under such reasonable regulations as it may prescribe, register the Series 2003 A Bonds initially issued pursuant hereto and register the transfer, or cause to be registered by its agent, on such books, the transfer of the Series 2003 A Bonds as hereinbefore provided.

The Bond Registrar shall accept the Series 2003 A Bonds for registration or transfer only if ownership thereof is to be registered in the name of the Purchaser, an individual (including joint ownership), a corporation, a partnership or a trust, and only upon receipt of the social security number of each individual, the federal employer identification number of each corporation or partnership or the social security numbers of the settlor and beneficiaries of each trust and the federal employer identification number and date of each trust and the name of the trustee of each trust, and/or such other identifying number and information as may be required by law. The Series 2003 A Bonds shall initially be fully registered as to both principal and interest in the name of the United States of America. So long as the Series 2003 A Bonds shall be registered in the name of the United States of

America, the address of the United States of America for registration purposes shall be National Finance Office, St. Louis, Missouri 63103, or such other address as shall be stated in writing to the Issuer by the United States of America.

B. The Bond Registrar with respect to the Series 2003 B Bonds shall be the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns. No Series 2003 B Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.10 hereof shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Series 2003 B Bonds shall be conclusive evidence that such Series 2003 B Bonds has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 2003 B Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Series 2003 B Bonds issued hereunder. The provisions of this Section 3.04 relating to authentication shall not apply to the Series 2003 A Bonds, notwithstanding anything herein to the contrary.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2003 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 the Series 2003 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 the Series 2003 Bonds remain outstanding, the Bond Registrar for the Series 2003 Bonds shall keep and maintain books for the registration and transfer of such 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, all Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Bonds during the period commencing on the 15th day of the month next 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 Series 2003 Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 2003 Bonds shall not, in any event, be or constitute a corporate 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. No holder or holders of the Series 2003 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2003 Bonds or the interest, if any, thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of all Series 2003 Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System. Such Net Revenues in an amount sufficient to pay the principal of and interest, if any, on and other payments for the Series 2003 Bonds and to make all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as they become due.

Section 3.09. Delivery of Bonds. A. With respect to the Series 2003 A Bonds, the Mayor is hereby authorized and directed to cause such Bonds, hereby awarded to the Purchaser pursuant to the Letter of Conditions, to be delivered to the Purchaser on the date of delivery of the Series 2003 A Bonds.

B. The Issuer shall execute and deliver the Series 2003 B Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2003 B Bonds to the original purchasers upon receipt of the documents set forth below:

- (1) If other than the Authority, a list of the names in which the Series 2003 B Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;

(2) A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2003 B Bonds to the original purchasers;

(3) An executed and certified copy of the Bond Legislation;

(4) An executed copy of the Loan Agreement; and

(5) The unqualified approving opinion of bond counsel on the Series 2003 B Bonds.

Section 3.10. Form of Bonds. The text of the Series 2003 A Bonds and the Series 2003 B Bonds shall be in substantially the following respective forms, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF SERIES 2003 A BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF SMITHERS
SEWER REVENUE BOND, SERIES 2003 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. AR-1

Date: November 6, 2003

FOR VALUE RECEIVED, the CITY OF SMITHERS (the "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00), plus interest on the unpaid principal balance at the rate of 4.50% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of this Bond and continuing on the corresponding day of each month for the first 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 40 years from the date of this Bond in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

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

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

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

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

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of acquisition and construction of a new public sewerage system (the "System") of the Borrower, is payable solely from the net revenues to be derived from the operation of the System in the manner provided in the hereinafter defined Ordinance. This Bond does not in any manner constitute a corporate indebtedness of Borrower within the meaning of any constitutional or statutory provision or limitation.

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

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13 of the West Virginia Code, as amended (the "Act"), and an Ordinance of the Borrower duly enacted on October __, 2003, authorizing issuance of this Bond (the "Ordinance").

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

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

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S SEWER REVENUE BONDS, SERIES 2003 B (WEST VIRGINIA INFRASTRUCTURE FUND), DATED NOVEMBER 6, 2003, ISSUED CONCURRENTLY HERewith IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$800,000.

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

CITY OF SMITHERS

[SEAL]

By: _____
Mayor

ATTEST:

Recorder

RECORD OF ADVANCES

<u>AMOUNT</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>DATE</u>
(1) \$	11/6/03	(19) \$	
(2) \$		(20) \$	
(3) \$		(21) \$	
(4) \$		(22) \$	
(5) \$		(23) \$	
(6) \$		(24) \$	
(7) \$		(25) \$	
(8) \$		(26) \$	
(9) \$		(27) \$	
(10) \$		(28) \$	
(11) \$		(29) \$	
(12) \$		(30) \$	
(13) \$		(31) \$	
(14) \$		(32) \$	
(15) \$		(33) \$	
(16) \$		(34) \$	
(17) \$		(35) \$	
(18) \$		(36) \$	

TOTAL

\$ _____

(Form of Assignment)

ASSIGNMENT

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

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 Borrower with full power of substitution in the premises.

Dated: _____, _____.

In presence of:

(FORM OF SERIES 2003 B BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF SMITHERS
SEWER REVENUE BOND, SERIES 2003 B
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. BR-1

\$800,000.00

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF SMITHERS, a municipal corporation and political subdivision of the State of West Virginia in Fayette County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of EIGHT HUNDRED THOUSAND DOLLARS (\$800,000.00), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 200_, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

This Bond shall bear no interest. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), 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 Council, dated _____, 2003.

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"); (ii) [to pay in full the Issuer's Prior Bonds (as defined in the hereinafter described Bond Legislation);] and (iii) to pay certain costs of issuance of the Bonds of this Series (the "Bonds") and related costs. The Project and any further additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13 and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), a Bond Ordinance duly enacted by the Issuer on October __, 2003, and a Supplemental Resolution duly adopted by the Issuer on October __, 2003 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S SEWER REVENUE BONDS, SERIES 2003 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED NOVEMBER 6, 2003, ISSUED CONCURRENTLY HERewith IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$500,000 (THE "SERIES 2003 A BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the Holders of the Series 2003 A Bonds, and from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 2003 B Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, 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, if any, hereon, except from said special fund provided from the Net Revenues, the moneys in the Series 2003 B Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Series 2003 A Bonds; provided however, that so long as there exists in the Series 2003 B Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Series 2003 A Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of United Bank, Inc., Charleston, West Virginia, as registrar (the "Registrar"), by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or its attorney duly authorized in writing.

Subject to the registration requirements 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 and the Bond Legislation, shall be

applied solely to payment of the costs of the Project and costs of issuance hereof described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered 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 at the issuance of this Bond do exist, 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 Net Revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of this Bond.

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

IN WITNESS WHEREOF, the CITY OF SMITHERS 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 November 6, 2003.

[SEAL]

Mayor

ATTEST:

Recorder

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2003 B Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: November __, 2003.

UNITED BANK, INC., as Registrar

By: _____
Vice President

EXHIBIT A

RECORD OF ADVANCES

<u>AMOUNT</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>DATE</u>
(1) \$	11/6/03	(19) \$	
(2) \$		(20) \$	
(3) \$		(21) \$	
(4) \$		(22) \$	
(5) \$		(23) \$	
(6) \$		(24) \$	
(7) \$		(25) \$	
(8) \$		(26) \$	
(9) \$		(27) \$	
(10) \$		(28) \$	
(11) \$		(29) \$	
(12) \$		(30) \$	
(13) \$		(31) \$	
(14) \$		(32) \$	
(15) \$		(33) \$	
(16) \$		(34) \$	
(17) \$		(35) \$	
(18) \$		(36) \$	
TOTAL		\$	

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

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

Dated: _____, _____.

In the presence of:

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement. A. The Series 2003 A Bonds shall be sold to the Purchaser, pursuant to the terms and conditions of the Letter of Conditions. The Letter of Conditions, including all attachments, are hereby approved and incorporated into this Bond Legislation.

B. The Series 2003 B Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous ordinance or resolution, the Mayor is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "Exhibit A" and made a part hereof, and the Recorder is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed. The Loan Agreement, including all schedules and exhibits attached thereto, are hereby approved and incorporated into this Bond Legislation.

Section 3.12. "Amended Schedule B" Filing. Upon completion of the acquisition and construction of the Project, the Issuer will file with the Purchaser, the Authority and the Council a schedule, the forms of which will be provided by the Purchaser, the Authority and the Council, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are hereby created with and shall be held by the Depository Bank, separate and apart from all other funds or accounts of the Depository Bank and the Issuer and from each other:

- (1) Revenue Fund;
- (2) Renewal and Replacement Fund;
- (3) Series 2003 A Bonds Construction Trust Fund; and
- (4) Series 2003 B Bonds Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created with and shall be held by the Commission, separate and apart from all other funds or accounts of the Commission and the Issuer and from each other:

- (1) Series 2003 A Bonds Reserve Account;
- (2) Series 2003 B Bonds Sinking Fund; and
- (3) Series 2003 B Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner provided in this Bond Legislation. All revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority:

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

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the National Finance Office the amount required to pay interest on the Series 2003 A Bonds.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously (i) remit to the National Finance Office, commencing 24 months following the date of delivery of the Series 2003 A Bonds, the amount required to amortize the principal of the Series 2003 A Bonds over the life of the bond issue; and (ii) remit to the Commission, commencing 3 months prior to the first date of payment of principal of the Series 2003 B Bonds, for deposit in the Series 2003 B Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2003 B Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2003 B Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payment shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(4) The Issuer shall next, on the first day of each month, commencing 3 months after the completion of construction of the Project, as certified by the Consulting Engineer, if not fully funded upon the issuance of the Series 2003 Bonds, transfer from the Revenue Fund and simultaneously remit to the Commission (i) for deposit in the Series 2003 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2003 A Bonds Reserve Requirement, until the amount in the Series 2003 A Bonds Reserve Account equals the Series 2003 A Bonds Reserve Requirement; provided that no further payments shall be made into the Series 2003 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2003 A Bonds Reserve Requirement; and (ii) for deposit in the Series 2003 B Bonds Reserve Account, an amount equal to 1/120th of the Series 2003 B Bonds Reserve Requirement, until the amount in the Series 2003 B Bonds

Reserve Account equals the Series 2003 B Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2003 B Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2003 B Bonds Reserve Requirement.

(5) The Issuer shall next, on the first day of each month, commencing 3 months after the completion of construction of the Project, as certified by the Consulting Engineers, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, an amount equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, repairs, improvements or extensions to the System; provided that, any deficiencies in any Reserve Account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof) shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

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

Moneys in the Series 2003 A Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 2003 A Bonds as the same shall come due, when other moneys are insufficient therefor, and for no other purpose. Whenever the moneys in the Series 2003 A Bonds Reserve Account shall be sufficient to prepay the Series 2003 A Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay, at the earliest practical date and in accordance with applicable provisions hereof, the Series 2003 A Bonds accrued interest thereon to such prepayment date.

Moneys in the Series 2003 B Bonds Sinking Fund shall be used only for the purpose of paying principal of and interest, if any, on the Series 2003 B Bonds as the same shall become due. Moneys in the Series 2003 B Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the Series 2003 B Bonds as the same shall come due, when other moneys in the Series 2003 B Bonds Sinking Fund are insufficient therefor, and for no other purpose. Whenever the moneys in the Series 2003 B Bonds Reserve Account shall be sufficient to prepay the Series 2003 B Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay, at the earliest practical date and in accordance with applicable provisions hereof, the Series 2003 B Bonds and accrued interest, if any, thereon to such prepayment date.

All investment earnings on moneys in the Series 2003 A Bonds Reserve Account (if fully funded), the Series 2003 B Bonds Sinking Fund and the Series 2003 B Bonds Reserve Account (if

fully funded) 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 respective Bonds Construction Trust Funds, 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 payment, if any, due on the Series 2003 A Bonds and the Series 2003 B Bonds, respectively, and then to the next ensuing principal payment due thereon, all on a pro rata basis.

Any withdrawals from the Series 2003 A Bonds Reserve Account or the Series 2003 B Bonds Reserve Account which result in a reduction in the balance of such accounts to below the Series 2003 A Bonds Reserve Requirement or the Series 2003 B Bonds Reserve Requirement, respectively, shall be subsequently restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

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 respective reserve accounts in an amount equal to the requirement therefor.

The Issuer shall not be required to make any further payments into the Series 2003 A Bonds Reserve Account or the Series 2003 B Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the respective Bonds issued pursuant to this Bond Legislation then Outstanding and all interest, if any, to accrue until the maturity thereof.

Principal, interest or reserve payments, whether for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Series 2003 A Bonds and the Series 2003 B Bonds in accordance with the respective principal amounts then Outstanding.

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

The Commission is hereby designated as the fiscal agent for the administration of the Series 2003 A Bonds Reserve Account, the Series 2003 B Bonds Sinking Fund and the Series 2003 B Bonds Reserve Account created hereunder, and all amounts required for such funds shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Purchaser, the Authority or the Council at any time, the Issuer shall make the necessary arrangements whereby required payments into the said accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Moneys in the Series 2003 A Bonds Reserve Account, the Series 2003 B Bonds Sinking Fund and the Series 2003 B Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2003 A Bonds Reserve Account, the Series 2003 B Bonds Sinking Fund and the Series 2003 B Bonds Reserve Account, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2003 A Bonds and the Series 2003 B Bonds, respectively, under the conditions and restrictions set forth herein.

B. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month) remit to the Purchaser and the Commission, as applicable, the required principal, interest and reserve account payments with respect to the Series 2003 Bonds and all such payments shall be remitted to the Purchaser and the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation.

C. The Issuer shall complete the "Monthly Payment Form," a form of which is attached to the Loan Agreement, and submit a copy of said form, together with a copy of its payment check to the Authority by the 5th day of such calendar month.

D. 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 the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

E. 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 their respective charges, fees and expenses then due. In the case of payments to the Commission under this paragraph, the Issuer shall, if required by either the Authority or the Council at any time, make the necessary arrangements whereby such required payments shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required.

F. The moneys in excess of the maximum amounts insured by FDIC in any fund or account 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 5.03, 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 or the Depository Bank shall clearly identify the fund or account into which each amount is to be deposited.

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

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

ARTICLE VI

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds.

From the moneys received from the sale of the Series 2003 Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2003 A Bonds, there shall be deposited with the Commission in the Series 2003 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 2003 A Bonds Reserve Account.

B. From the proceeds of the Series 2003 B Bonds, there shall be deposited with the Commission in the Series 2003 B Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding of the Series 2003 B Bonds Reserve Account.

C. Next, from the proceeds of the Series 2003 A Bonds and/or the Series 2003 B Bonds, as set forth in the Supplemental Resolution, there shall be paid to the Commission the entire outstanding principal of, accrued interest and service charge on the Prior Bonds.

D. As the Issuer receives advances of the remaining moneys derived from the sale of the Series 2003 A Bonds, such moneys shall be deposited with the Depository Bank in the Series 2003 A Bonds Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02 hereof and until so expended, are hereby pledged as additional security for the Series 2003 A Bonds.

E. As the Issuer receives advances of the remaining moneys derived from the sale of the Series 2003 B Bonds, such moneys shall be deposited with the Depository Bank in the Series 2003 B Bonds Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02 hereof and until so expended, are hereby pledged as additional security for the Series 2003 B Bonds.

F. After completion of construction of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 2003 A Bonds shall be expended as directed by the Purchaser and any remaining proceeds of the Series 2003 B Bonds shall be expended as directed by the Council.

Section 6.02. Disbursements From the Bond Construction Trust Fund. A. Moneys in the Series 2003 A Bonds Construction Trust Fund shall be used solely to pay the cost of acquisition and construction of the Project upon vouchers and other documentation approved by the Purchaser.

Until completion of acquisition and construction of the Project, the Issuer will transfer from the Series 2003 A Bonds Construction Trust Fund and pay to the Purchaser on or before the due date, such sums as shall be from time to time required to make the monthly installment payments on the Series 2003 A Bonds if there are not sufficient Net Revenues to make such monthly payment.

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 Series 2003 A Bonds Construction Trust Fund shall be disposed of in accordance with the regulations of the Purchaser.

B. To make disbursements from the Series 2003 B Bonds Construction Trust Fund, the Issuer shall each month provide the Council with a requisition for the costs incurred for the Project, together with such documentation as the Council shall require. Payments of all Costs of the Project from the Series 2003 B Bonds shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Series 2003 B Bonds Construction Trust Fund shall be made only after submission to the Council of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

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

(ii) 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;

(iii) Each of such costs has been otherwise properly incurred; and

(iv) Payment for each of the items proposed is then due and owing.

After completion of construction of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 2003 B Bonds shall be used as directed in writing by the Council and the Authority.

The Issuer shall expend all proceeds of the Series 2003 B Bonds within 3 years of the date of the issuance of the Council's Bonds, the proceeds of which were used to make the loan to the Issuer.

Pending such application, moneys in the respective Bond Construction Trust Funds shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2003 Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 2003 Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2003 Bonds or the interest, if any, thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2003 Bonds shall not be nor constitute a corporate indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. 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 the Series 2003 Bonds or the interest, if any, thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of all the Series 2003 Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System. The Net Revenues in an amount sufficient to pay the principal of and interest, if any, on the Series 2003 Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreement. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in the sewer rate ordinance of the Issuer enacted on May 7, 2002, which rates are incorporated herein by reference as a part hereof.

So long as the Series 2003 Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Bond Legislation and in compliance with the Loan Agreement. In the event the schedule of rates and charges initially established for the System in connection with the Series 2003 Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement, the Issuer 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 and take all such actions necessary to provide funds sufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement.

Section 7.05. Sale of the System. So long as the Series 2003 Bonds are outstanding and except as otherwise required by law or with the written consent of the Purchaser, the Authority and the Council, 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 fully pay all the Bonds Outstanding in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 2003 A Bonds, immediately be remitted to the National Finance Office, and with respect to the Series 2003 B Bonds, immediately be remitted to the Commission for deposit in the Series 2003 B Bonds Sinking Fund, and, with the written consent of the Purchaser, the Authority and the Council, the Issuer shall direct the National Finance Office and the Commission to apply such proceeds to the payment of principal of and interest, if any, on the Series 2003 Bonds. Any balance remaining after the payment of all the Series 2003 Bonds and interest, if any, thereon shall be remitted to the Issuer 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 duly adopted, 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, in writing, determine upon consultation with a professional engineer 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 in accordance with the laws of the State. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. Payment of such proceeds into the Renewal and Replacement Fund shall not reduce the amounts required to be paid into such fund by other provisions of this Bond Legislation.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of \$50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided for in Section 7.06 and Section 7.07 hereof, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with

the Bonds. 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 all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

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

The Issuer shall give the Purchaser, the Authority and the Council prior written notice of its issuance of any other obligations to be used for the System, payable from the revenues of the System or from any grants for the System, or any other obligations related to the Project or the System.

Section 7.07. Parity Bonds. No Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 2003 Bonds pursuant to this Bond Legislation, except under the conditions and in the manner herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 2003 Bonds, and must have the prior written consent of the Purchaser, the Authority and the Council.

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

So long as the Series 2003 A Bonds are Outstanding, no Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Recorder a written statement by the Independent Certified Public Accountants, reciting the conclusion that the Net Revenues for the Fiscal Year following the year in which such Parity Bonds are to be issued shall be at least 120% of the average annual debt service requirements on the following:

- (1) The 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 following limitation may be waived or modified by the written consent of the Registered Owners of the Series 2003 A Bonds, representing 75% of the then-outstanding principal indebtedness. In the event the foregoing limitation is waived or when the Series 2003 A Bonds are no longer Outstanding, the following parity requirement shall be met:

No Parity Bonds shall be issued at any time, however, unless there has been procured and

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

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

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

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 Series 2003 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 Series 2003 Bonds.

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

Section 7.08. Books; Records and Audit. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the costs of acquiring, constructing and installing the Project. The Issuer shall permit the Purchaser, the Authority and the Council or their 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 Purchaser, the Authority and the Council such documents and information as they may reasonably require in connection with the 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 Purchaser, the Authority and the Council or their agents and representatives, to inspect all records pertaining to the operation and maintenance 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 will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds issued pursuant to this Bond Legislation shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

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

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

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

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Bond Legislation and the status of all said funds and accounts.

(C) The amount of any Bonds, notes or other obligations payable from the revenues of the System outstanding.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with the applicable OMB Circular, or any successor thereto and the Single Audit Act, or any successor thereto, to the extent legally required, 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 the Series 2003 Bonds and shall submit said report to the Purchaser, the Authority and the Council, or any other original purchaser of the Series 2003 Bonds. Such audit report submitted to the Purchaser, the Authority and the Council shall include a statement that the Issuer is in compliance with the terms and provisions of the Act, the Loan Agreement and this Bond Legislation and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

Subject to the terms, conditions and provisions of the Loan Agreement and the Act, the Issuer 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 by the Consulting Engineers. 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 Issuer.

The Issuer shall permit the Purchaser, the Authority and the Council, or their 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 and commencement of operation of the Project, the Issuer shall also provide the Purchaser, the Authority and the Council, or their agents and representatives, with access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority, the Council and the Purchaser with respect to the System pursuant to the Act.

Section 7.09. Rates. Prior to the issuance of the Series 2003 Bonds, equitable rates or charges for the use of and service rendered by the System shall 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 the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary

unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2003 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2003 Bonds; provided that, in the event that an amount equal to or in excess of the reserve requirement is on deposit respectively in the Reserve Accounts and any reserve accounts for obligations on a parity with the Series 2003 Bonds are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2003 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2003 Bonds. In any event, subject to any requirements of law, the Issuer shall not reduce the rates or charges for services set forth in the rate ordinances described in Section 7.04 hereof.

Section 7.10. Operating Budget and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Purchaser, the Authority and the Council within 30 days of adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a registered professional engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of a registered professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance within 30 days of adoption to the Purchaser, the Authority and the Council, or to any Holder of the Bonds, who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Purchaser, the Council, the Authority and any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

Commencing on the date contracts are executed for the acquisition and construction of the Project and for 2 years following the completion of the Project, the Issuer shall each month complete a "Monthly Financial Report," a form of which is attached to the Loan Agreement, and forward a copy of such report to the Authority and the Council by the 10th day of each month.

Section 7.11. Engineering Services and Operating Personnel. The Issuer will obtain a certificate of the Consulting Engineers in the form attached to the Loan Agreement, stating, among other things, that the Project has been or will be constructed in accordance with the approved plans, specifications and designs as submitted to the Purchaser, the Authority and the Council, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Purchaser,

the Authority and the Council is sufficient to pay the costs of acquisition and construction of the Project, and all permits required by federal and state laws for construction of the Project have been obtained.

The Issuer shall provide and maintain competent and adequate engineering services satisfactory to the Purchaser, the Authority and the Council 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 engineer shall certify to the Purchaser, the Authority, the Council 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 employ qualified operating personnel properly certified by the State to operate the System during the entire term of the Loan Agreement.

Section 7.12. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.13. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System, 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. If the waterworks facilities are not owned by the Issuer, the Issuer will, to the extent allowed by law, use diligent efforts to enter into a similar termination agreement with the provider of such water, subject to any required approval of such agreement by the Public Service Commission of West Virginia and all rules, regulations and orders of the Public Service Commission of West Virginia.

Section 7.14. 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 shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

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

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

(3) WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT BONDS, such bonds to be in the amounts of 100% of the construction contract and to be required of each

contractor contracting directly with the Issuer, and such payment bonds will be filed with the Clerk of The County Commission of the County in which such work is to be performed prior to commencement of construction of the Project in compliance with West Virginia Code, Chapter 38, Article 2, Section 39.

(4) FLOOD INSURANCE, if the facilities of the System are or will be located in designated special flood or mudslide-prone areas and to the extent available at reasonable cost to the Issuer.

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

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

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 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. The Issuer shall verify such bonds prior to commencement of construction.

The Issuer shall also require all contractors engaged in the construction of the Project to carry such worker's compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project; provided that the amounts and terms of such coverage are satisfactory to the Authority and the Council and the Issuer shall verify such insurance prior to commencement of construction. In the event the Loan Agreement so requires, such insurance shall be made payable to the order of the Authority, the Issuer, the prime contractor and all subcontractors, as their interests may appear.

Section 7.16. 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 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.

Section 7.17. Completion of Project; Permits and Orders. The Issuer shall complete the Project as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition and in compliance with all federal and state requirements and standards.

The Issuer has obtained all permits required by State and federal laws for the acquisition and construction of the Project, all orders and approvals from the Public Service Commission of West Virginia and the Council necessary for the acquisition and construction of the Project and the operation of the System and all approvals for issuance of the Bonds required by State law, with all requisite appeal periods having expired without successful appeal.

Section 7.18. Compliance with Letter of Conditions, Loan Agreement and Law. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Letter of Conditions, the Loan Agreement, the Act and this Bond Legislation. The Issuer shall also comply with all applicable laws, rules and regulations issued by the Purchaser, the Authority and the Council, or other state, federal or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System. The Issuer shall provide the Council with copies of all documents submitted to the Purchaser and the Authority.

Section 7.19. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

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

B. **PRIVATE LOAN LIMITATION.** The Issuer shall assure that not in excess of the lesser of 5% of the Net Proceeds of the Series 2003 Bonds or \$5,000,000 are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. **FEDERAL GUARANTEE PROHIBITION.** The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2003 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

D. **INFORMATION RETURN.** To the extent legally required, the Issuer will timely file all statements, instruments and returns necessary to assure the tax-exempt status of the Series 2003 Bonds and the interest thereon including, without limitation, the information return required under Section 149(e) of the Code.

E. **FURTHER ACTIONS.** The Issuer will take any and all actions that may be required of it (including, without limitation, those deemed necessary by the Authority) so that the interest on the Series 2003 Bonds will be and remain excluded from gross income for federal income tax purposes, and will not take any actions or fail to take any actions (including, without limitation, those deemed necessary by the Authority), the result of which would adversely affect such exclusion.

Section 7.20. Securities Laws 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 7.21. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2003 Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 2003 Bonds.

Section 7.22. Contracts; Public Releases. A. The Issuer shall, simultaneously with the delivery of the Series 2003 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 the Purchaser and the Council for written approval. The Issuer shall obtain the written approval of the Purchaser and the Council before expending any proceeds of the Series 2003 Bonds held in "contingency" as set forth in the schedule attached to the certificate of the Consulting Engineer. The Issuer shall also obtain the written approval of the Purchaser and the Council before expending any proceeds of the Series 2003 Bonds made available due to bid or construction or project underruns.

C. The Issuer shall list the funding as being provided by the Purchaser, the Authority and the Council in any press release, publication, program, bulletin, sign or other public communication that references the Project, including but not limited to any program document distributed in conjunction with any ground breaking or dedication of the Project.

ARTICLE VIII

INVESTMENT OF FUNDS; USE OF PROCEEDS

Section 8.01. Investments. Any moneys held as a part of the funds and accounts created by this Bond Legislation 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 Bond Legislation, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this Section 8.01.

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 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 may make any and all investments permitted by this section through its own investment or trust 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 (or more often if reasonably requested by the Issuer), a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Bonds are Outstanding and as long thereafter as necessary to comply with the Code and assure the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 8.02. Certificate as to Use of Proceeds; Covenants as to Use of Proceeds.
The Issuer shall deliver a certificate as to use of proceeds or other similar certificate to be prepared by nationally recognized bond counsel relating to restrictions on the use of proceeds of the Series 2003 Bonds as a condition to issuance of the Series 2003 Bonds. In addition, the Issuer covenants (i) to comply with the Code and all Regulations from time to time in effect and applicable to the Series 2003 Bonds as may be necessary in order to maintain the status of the Series 2003 Bonds as governmental bonds; (ii) that it shall not take, or permit or suffer to be taken, any action with respect to the Issuer's use of the proceeds of the Series 2003 Bonds which would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Code, issued by the Authority or the Council, as the case may be, from which the proceeds of the Series 2003 Bonds are derived, to lose their status as tax-exempt bonds; and (iii) to take such action, or refrain from taking such action, as shall be deemed necessary by the Issuer, or requested by the Authority or the Council, to ensure compliance with the covenants and agreements set forth in this Section, regardless of whether such actions may be contrary to any of the provisions of this Resolution.

The Issuer shall annually furnish to the Authority information with respect to the Issuer's use of the proceeds of the Series 2003 Bonds and any additional information requested by the Authority.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 2003 Bonds:

- (1) If default occurs in the due and punctual payment of the principal of or interest, if any, on any series of the Series 2003 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 Series 2003 Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2003 Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, the Registrar, the Paying Agent 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.

Notwithstanding anything herein to the contrary, if default occurs in the due and punctual payment of the principal of or interest on any series of the Series 2003 Bonds, it shall constitute an "Event of Default" with respect to the other series of the Series 2003 Bonds.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the 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 Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners; provided that, all rights and remedies of the Holders of the Series 2003 A Bonds and the Series 2003 B Bonds shall be on a parity with each other.

Section 9.03. 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 Bond Legislation and the Act, including, the completion of the Project and after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds, any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the acquisition and construction of the Project on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Bond Legislation and the Act.

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

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

have the same right to secure the further appointment of a receiver upon any such subsequent default.

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

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Bonds.

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

ARTICLE X

PAYMENT OF BONDS

Section 10.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid to the Holders of the Series 2003 Bonds, the principal of and interest, if any, due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owner of the Series 2003 Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied; except as may otherwise be necessary to assure the exclusion of interest, if any, on the Series 2003 Bonds from gross income for federal income tax purposes.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to issuance of the Series 2003 Bonds, this Ordinance may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2003 Bonds, no material modification or amendment of this Ordinance, or of any ordinance, resolution or order amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 2003 Bonds, shall be made without the consent in writing of the Registered Owners of the Series 2003 Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of the

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, if any, out of the funds herein pledged therefor without the consent of the Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of the Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder 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, if any, on the Series 2003 Bonds from gross income of the holders thereof.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Series 2003 Bonds, and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Ordinance should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance, the Supplemental Resolution or the Series 2003 Bonds.

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

Section 11.05. Conflicting Provisions Repealed. All ordinances, orders or resolutions and or parts thereof in conflict with the provisions of this Ordinance are, to the extent of such conflict, hereby repealed; provided that, this Section shall not be applicable to the Loan Agreement or the Loan Resolution (Form FmHA 442-47).

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Ordinance do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Mayor, the Recorder and members of the Governing Body were at all times when any actions in connection with this Ordinance occurred and are duly in office and duly qualified for such office.

Section 11.07. Effective Date. This Ordinance shall take effect immediately following the public hearing and final reading hereof.

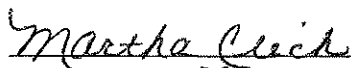
Section 11.08. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Ordinance determined by the Governing Body to contain sufficient information as to give notice of the contents hereof shall be published once a week for 2 successive weeks within a period of fourteen consecutive days, with at least 6 full days intervening between each publication, in *The Montgomery Herald* and *The Fayette Tribute*, newspapers of general circulation in the City of Smithers, no newspaper being published therein, together with a notice stating that this Ordinance has

Section 11.08. 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 2 successive weeks within a period of fourteen consecutive days, with at least 6 full days intervening between each publication, in *The Montgomery Herald* and *The Fayette Tribute*, newspapers of general circulation in the City of Smithers, no newspaper being published therein, together with a notice stating that this Ordinance has been adopted and that the Issuer contemplates the issuance of the Bonds, and that any person interested may appear before the Governing Body upon a date certain, not less than ten 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 this Ordinance is on file with the Governing Body for review by interested persons during office hours of the Governing Body. At such hearing, all objections and suggestions shall be heard and the Governing Body shall take such action as it shall deem proper in the premises.

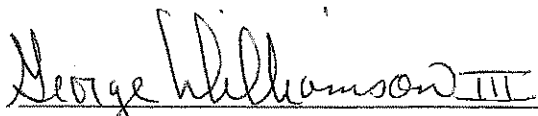
Passed on First Reading: - September 29, 2003

Passed on Second Reading: - October 13, 2003

Passed on Final Reading
Following Public
Hearing: - October 27, 2003



Mayor



Recorder

CERTIFICATION

Certified a true copy of an Ordinance duly enacted by the Council of the CITY OF SMITHERS on the 27th day of October, 2003.

Dated: November 6, 2003.

[SEAL]

George Williamson III
Recorder

CITY OF SMITHERS
SEWER REVENUE BOND, SERIES 2003 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)
AND SEWER REVENUE BOND, SERIES 2003 B
(WEST VIRGINIA INFRASTRUCTURE FUND)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO THE PRINCIPAL AMOUNT, DATE, MATURITY DATE, INTEREST RATE, PAYMENT SCHEDULE, SALE PRICE AND OTHER TERMS OF THE CITY OF SMITHERS SEWER REVENUE BONDS, SERIES 2003 A (UNITED STATES DEPARTMENT OF AGRICULTURE) AND SERIES 2003 B (WEST VIRGINIA INFRASTRUCTURE FUND); AUTHORIZING AND APPROVING THE SALE AND DELIVERY OF THE SERIES 2003 A BONDS TO THE UNITED STATES DEPARTMENT OF AGRICULTURE AND THE SERIES 2003 B BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; APPROVING AND RATIFYING THE LOAN AGREEMENT WITH RESPECT TO THE SERIES 2003 B BOND; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the City Council (the "Governing Body") of the City of Smithers (the "Issuer") has duly and officially enacted a Bond Ordinance on October 27, 2003 (the "Ordinance"), entitled:

ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE SEWER SYSTEM OF THE CITY OF SMITHERS AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN \$500,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2003 A (UNITED STATES DEPARTMENT OF AGRICULTURE) AND NOT MORE THAN \$800,000 IN AGGREGATE PRINCIPAL AMOUNT OF SEWER REVENUE BONDS, SERIES 2003 B (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

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

WHEREAS, the Ordinance provides for the issuance of the Sewer Revenue Bonds, Series 2003 A (United States Department of Agriculture) and Series 2003 B (West Virginia Infrastructure Fund), of the Issuer, in the respective aggregate principal amounts not to exceed \$500,000 and \$800,000 (collectively, the "Bonds" and individually, the "Series 2003 A Bond" and the "Series 2003 B Bond"), and has authorized the execution and delivery of a loan agreement relating to the Series 2003 B Bond, including all schedules and exhibits attached thereto (collectively, the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), all in accordance with Chapter 16, Article 13 and Chapter 31, Article 15A of the Code of West Virginia, 1931, as amended (collectively, the "Act"); and in the Ordinance it is provided that the exact principal amount, date, maturity date, interest rate, payment schedule, sale price and other terms of the Bonds should be established by a supplemental resolution, and that other matters relating to the Bonds be therein provided for;

WHEREAS, the Loan Agreement has been presented to the Issuer at this meeting;

WHEREAS, the Series 2003 A Bond is proposed to be purchased by the United States of America, United States Department of Agriculture, Rural Utilities Service (the "Government") pursuant to the Letter of Conditions and the Series 2003 B Bond is proposed to be purchased by the Authority pursuant to the Loan Agreement; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted, that the Loan Agreement be approved and ratified, that the exact principal amount, date, maturity date, interest rate, payment schedule, sale price and other terms of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF SMITHERS:

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

A. Sewer Revenue Bond, Series 2003 A (United States Department of Agriculture), of the Issuer, originally represented by a single bond, numbered AR-1, in the original principal amount of \$500,000. The Series 2003 A Bond shall be dated the date of delivery, shall finally mature November 6, 2043, and shall bear interest at the rate of 4.5% per annum. Monthly installments of interest only on the amounts advanced under the Series 2003 A Bond are payable 30

days following the date of delivery of the Series 2003 A Bond and on the corresponding day of each month thereafter for the first 24 months after the date of delivery of the Series 2003 A Bond, and thereafter, monthly installments of principal of and interest on the Series 2003 A Bond, in the aggregate amount of \$2,295, are payable on the corresponding day of each month, except that the final installment on the Series 2003 A Bond shall be paid at the end of 40 years from the date of the Series 2003 A Bond in the sum of the unpaid principal and interest due on the date thereof. The Series 2003 A Bond is subject to prepayment as set forth in the Ordinance and the Series 2003 A Bond. All principal and interest payments on the Series 2003 A Bond will be paid by the Issuer directly to the order of the United States of America at its National Finance Office, 1520 Market Street, St. Louis, Missouri 63103.

B. Sewer Revenue Bond, Series 2003 B (West Virginia Infrastructure Fund), of the Issuer, originally represented by a single bond, numbered BR-1, in the original principal amount of \$800,000. The Series 2003 B Bond shall be dated the date of delivery, shall mature September 1, 2043, and shall bear no interest. The principal of the Series 2003 B Bond shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2005, in the amounts set forth in the Schedule Y attached to the Loan Agreement and incorporated in and made a part of the Series 2003 B Bond. The Series 2003 B Bond shall be subject to redemption upon the written consent of the Authority and the Council, and upon payment of the redemption premium, if any, and otherwise in compliance with the Loan Agreement, so long as the Authority shall be the Registered Owner of the Series 2003 B Bond.

Section 2. All other provisions relating to the Bonds and the text of the Bonds shall be in substantially the form provided in the Ordinance.

Section 3. The Issuer hereby ratifies, approves and accepts the Loan Agreement, including all schedules and exhibits attached thereto, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Mayor and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, approved and directed. The Issuer hereby ratifies, approves and accepts the Letter of Conditions, and all amendments thereto, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, approved and directed. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the applications to the Council and the Authority. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon, provided that the proceeds of the Bonds shall be advanced from time to time as requisitioned by the Issuer.

Section 4. The Issuer hereby appoints and designates United Bank, Inc., Charleston, West Virginia, to serve as Registrar (the "Registrar") for the Series 2003 B Bond under the Ordinance and approves and accepts the Registrar's Agreement to be dated the date of delivery of the Series 2003 B Bond, by and between the Issuer and the Registrar, and the execution and delivery of the Registrar's Agreement by the Mayor, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed and approved.

Section 5. The Issuer hereby appoints and designates the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Commission"), to serve as Paying Agent for the Series 2003 B Bond under the Ordinance.

Section 6. The Issuer hereby appoints and designates United Bank, Inc., Smithers, West Virginia, to serve as the Depository Bank.

Section 7. Series 2003 A Bond proceeds in the amount of \$140,000.00 shall be deposited in the Series 2003 A Bond Sinking Fund as capitalized interest.

Section 8. Series 2003 A Bond proceeds in the amount of \$-0- shall be deposited in the Series 2003 A Bond Reserve Account.

Section 9. Series 2003 B Bond proceeds in the amount of \$-0- shall be deposited in the Series 2003 B Bond Sinking Fund as capitalized interest.

Section 10. Series 2003 B Bond proceeds in the amount of \$-0- shall be deposited in the Series 2003 B Bond Reserve Account.

Section 11. Series 2003 A Bond proceeds in an amount of \$114,951.92 to pay the Commission in full the entire outstanding principal of and all accrued interest and administrative fees on the Series 1965 Bonds.

Section 12. Series 2003 A Bond proceeds in the amount of \$3,200.00 and Series 2003 B Bond proceeds in the amount of \$2,743.85 (total of \$5,943.85) to pay to the West Virginia Water Development Authority in full the entire outstanding principal of and administrative fees owed on the Step 1 Loan.

Section 13. The remaining proceeds of the Bonds, as advanced from time to time, shall be deposited in or credited to the Series 2003 Bonds Construction Trust Fund, as received by the Issuer for payment of costs of the Project, including costs of issuance of the Bonds.

Section 14. The Mayor and Recorder are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Bonds hereby and by the Ordinance approved and provided for, to the end that the Series 2003 A Bond may be delivered to the Government pursuant to the Letter of Conditions on or about November 6, 2003, and the Series 2003 B Bond may be delivered to the Authority pursuant to the Loan Agreement on or about November 6, 2003.

Section 15. The acquisition and construction of the Project and the financing thereof in part with proceeds of the Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

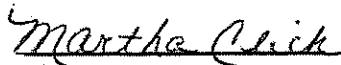
Section 16. The Issuer hereby determines to invest all moneys in the funds and accounts established by the Ordinance held by the Depository Bank until expended, in money market accounts secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to invest all moneys in such money market accounts until further directed in writing by the Issuer. Moneys in the Sinking Funds and the Reserve Accounts for the Series 2003 Bonds shall be invested by the Commission in the West Virginia Consolidated Fund.

Section 17. The Issuer hereby approves and accepts all contracts relating to the financing, acquisition and construction of the Project.

Section 18. The Issuer hereby approves the costs of issuance and authorizes the payment of the same.

Section 19. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 27th day of October, 2003.


Mayor


Recorder

CERTIFICATION

Certified as a true copy of a Supplemental Resolution duly adopted by the City Council
of the City of Smithers on the 27th day of October, 2003.

Dated this 6th day of November, 2003.

[SEAL]


Recorder

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 SMITHERS
(Governmental Agency)

W I T N E S S E T H:

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 acquire, construct, improve, operate and maintain a project, as defined by the Act, and to finance the cost of acquisition and construction of 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," "Council," "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 Act and upon authorization from the Council.

1.3 "Consulting Engineers" means the professional engineer, licensed by the State, 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 Department 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 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 the Council and their 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 the Council and their duly authorized agents

and representatives shall, prior to, during 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 and the Council 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 and the Council, acting by and through their directors or their 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 and the Council such documents and information as they 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 the Council and their 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 and shall verify or have verified such bonds prior to commencement of construction.

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 Council and the Authority and shall verify or have verified such insurance prior to commencement of construction. 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 are outstanding, business interruption insurance if available at a reasonable cost.

2.9 The Governmental Agency shall provide and maintain competent and adequate 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 engineer shall certify to the Authority, the Council 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 shall at all times provide operation and maintenance of the System in compliance with any and all State and federal standards. The Governmental Agency shall employ qualified operating personnel properly certified by the State 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 acquisition or construction of the Project and for two years following the completion of acquisition or construction 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 10th 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 and the Council, 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 into 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 construction financing, 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 and the Council 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 and the Council 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") and the Council 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 and the Council 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 and the Council, 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 and the Council 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 and the Council 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 and the Council, 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 and the Council 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 and the Council, 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 projects and satisfactory to the Authority and the Council, to such effect, such certificate to be in form and substance satisfactory to the Authority and the Council, and evidence satisfactory to the Authority and the Council 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, the Council 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, the Council 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 or such later date as is agreed to in writing by the Council.

3.5 The Governmental Agency understands and acknowledges that it is one of several governmental agencies which have applied to the Council for loans from the Infrastructure Fund 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 sufficient funds are available in the Infrastructure

Fund to purchase all the Local Bonds and that, prior to execution of this Loan Agreement, 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 adopted or 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. Such gross revenues shall 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 (the "Reserve Account") was not funded from proceeds of the Local Bonds or otherwise concurrently with the issuance thereof (which, with an approving opinion of bond counsel to the Governmental Agency, may be with a letter of credit or surety) in an amount 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 a pledge of either the gross or net revenues of the System, as more fully set forth in Schedule X attached hereto and in the Local Act;

(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 is funded (whether by Local Bond proceeds, monthly deposits or otherwise) at an amount equal to 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 shall 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, 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 and with the prior written consent of the Authority and the Council;

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 the Authority 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 and the Council, 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 Operating Expenses and debt service and reserve requirements;

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

(xiii) That, 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, advanced from time to time, 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) and/or (b) be used to pay (or redeem) bond anticipation notes or other interim financing 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 and the Council, 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 the West Virginia Municipal Bond Commission (the "Commission") shall serve as paying agent for the Local Bonds;

(xvii) That the Governmental Agency shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required interest, principal and reserve account payment. The Governmental Agency shall complete the Monthly Payment Form, attached hereto as Exhibit D and incorporated herein by reference, and submit a copy of said form along with a copy of the check or electronic transfer to the Authority by the 5th day of such calendar month;

(xviii) That, unless it qualifies for an exception to the provisions of Section 148 of the Internal Revenue Code of 1986, as amended, 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 Internal Revenue Code of 1986, as amended, a certificate with respect to its rebate calculations and, at any time, any additional information requested by the Authority;

(xix) That the Governmental Agency shall take any and all action, or shall refrain from taking any action regarding the use of the proceeds of the Local Bonds, 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;

(xx) That the Governmental Agency shall have obtained the certificate of the Consulting Engineer in the form attached hereto as Exhibit A, 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 and the Council, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority and the Council is sufficient to pay the costs of acquisition and construction of the

Project and all permits required by federal and State laws for construction of the Project have been obtained;

(xxi) That the Governmental Agency shall, to the full extent permitted by applicable law and the rules and regulations of the PSC, 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;

(xxii) 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 Internal Revenue Code of 1986, as amended) from time to time as the Authority may request;

(xxiii) 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 attached to the certificate of the Consulting Engineer. 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;

(xxiv) That the Governmental Agency shall list the funding provided by the Authority and the Council in any press release, publication, program bulletin, sign or other public communication that references the Project, including but not limited to any program document distributed in conjunction with any groundbreaking or dedication of the Project; and

(xxv) That, unless it qualifies for an exception, the Governmental Agency shall comply with all the requirements of Chapter 21, Article 1C of the Code of West Virginia, 1931, as amended (the "West Virginia Jobs Act") and shall require its contractors and subcontractors to comply with the West Virginia Jobs Act. The Governmental Agency shall provide the Council and the Authority with a certificate stating that (I) the Governmental Agency will comply with all the requirements of the West Virginia Jobs Act; (II) the Governmental Agency has included the provisions of the West Virginia Jobs Act in each contract and subcontract for the Project; (III) the Governmental Agency has received or will receive, prior to entering into contracts or subcontracts, from each contractor or subcontractor a certificate demonstrating compliance with Section 4 of the West Virginia Jobs Act or waiver certificates from the West Virginia Division of Labor ("DOL"); and (IV) the Governmental Agency will file with the DOL and the Council copies of the waiver certificates and certified payrolls or comparable documents that include the number of employees, the county and state wherein the employees reside and their occupation, following the procedures established by the DOL. The monthly requisitions submitted to the

Council shall also certify that the Governmental Agency is monitoring compliance by its contractors and subcontractors and that the required information has been submitted.

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, validity, 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 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 and 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 bonds which are the source of money used to purchase the Local 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 and will take all such actions necessary to provide funds sufficient to produce the required sums 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 required sums set forth in the Local Act and this Loan Agreement, 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 (or where applicable, immediately file with the PSC for a rate increase) and take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Local Act and this Loan Agreement.

5.3 In the event the Governmental Agency defaults in the payment due to the Authority pursuant to this Loan Agreement, 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 and the Council 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 and the Council shall have the right to cancel all or any of their obligations under this Loan Agreement if (a) any representation made to the Authority and the Council 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 the Act or 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 and the Council prior written notice of the issuance by it of any other obligations to be used for the System, 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 and the Council upon completion of acquisition and construction of the Project a schedule in substantially the form of Amended Schedule B 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, if any, 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 Schedules X and Y shall be attached to this Loan Agreement by the Authority as soon as practicable after the Date of Loan Closing is established and shall be approved by an official action of the Governmental Agency supplementing the Local Act, a certified copy of which official action shall be submitted to the Authority and the Council.

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

7.4 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.

7.5 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.

7.6 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.

7.7 This Loan Agreement 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.

7.8 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 Department 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.

7.9 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:

7.10 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 or such later date as is agreed to in writing by the Council if the Governmental Agency has failed to deliver the Local Bonds to the Authority;
- (ii) termination by the Authority and the Council 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.

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 SMITHERS

(SEAL)

Attest:

George Williams III
Its: Recorder

By: Martha Click
Its: Mayor
Date: November 6, 2003

WEST VIRGINIA WATER
DEVELOPMENT AUTHORITY

(SEAL)

Attest:

Barbara B Meadows
Its: Secretary-Treasurer

By: James B. Zerkow
Its: Director
Date: November 6, 2003

000832/00466
10/21/03

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 (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 same meanings set forth in the bond _____ adopted or enacted by the Issuer on _____, and the Loan Agreement by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), dated _____.

2. The Bonds are being issued for the purposes of (i) _____, and (ii) paying certain issuance and other costs in connection therewith.

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 approved by [DEP/BPH/PSC] and any change orders approved by the Issuer, the Council 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 the Schedule B attached hereto as Exhibit A and my firm¹ has ascertained that all successful bidders 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 bidders received any and all addenda to the original bid documents; (v) the bid documents relating to the Project reflect the Project as approved by the [DEP/BPH/PSC] and the bid forms provided to the bidders contain all critical operational components of the Project; (vi) the successful bids include prices for every item on such bid forms; (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 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 set forth in the Schedule B attached hereto and approved by the Council; and (xi) attached hereto as Exhibit A is the final amended "Schedule B - Final Total Cost of Project, Sources of Funds and Costs of Financing" 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
300 Summers Street, Suite 980
Charleston, West Virginia 25301

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 the authorization of (i) a loan agreement dated _____, _____, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), and (ii) the issue of a series of revenue bonds of the Governmental Agency, dated _____, _____ (the "Local Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bonds are issued in the principal amount of \$_____, in the form of one bond, registered as to principal and interest to the Authority, with interest and principal payable quarterly on March 1, June 1, September 1 and December 1 of each year, beginning _____, 1, _____, and ending _____, 1, _____, as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Local Bonds.

The Local Bonds are issued for the purposes of (i) _____, and
(ii) 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 adopted or enacted by the Governmental Agency on _____, as supplemented by the supplemental resolution duly adopted by the Governmental Agency on _____ (collectively, the "Local Act"), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued, and the Loan Agreement 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 the Council and cannot be amended so as to affect adversely the rights of the Authority or the Council or diminish the obligations of the Governmental Agency without the consent of the Authority and the Council.

3. The Governmental Agency is a duly organized and validly existing _____, with full power and authority to acquire and construct the Project, to operate and maintain the System, to adopt or enact the Local Act and to issue and sell the Local Bonds, all under the Local Statute and other applicable provisions of law.

4. The Local Act and all other necessary orders and resolutions have been legally and effectively adopted or enacted by the Governmental Agency and constitute valid and binding obligations of the Governmental Agency, enforceable against the Governmental Agency in accordance with their terms. 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 have been duly authorized, issued, executed and delivered by the Governmental Agency to the Authority and are valid, legally enforceable and binding special obligations of the Governmental Agency, payable from the net or gross revenues of the System set forth in the Local Act and secured by a first lien on and pledge of the net or gross revenues of the System, all in accordance with the terms of the Local Bonds and the Local Act.

6. 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 the 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(s) _____
 Type of Project _____ Water _____ Wastewater _____
 Fiscal Year _____ Report Month _____

<u>Item</u>	<u>Current Month</u>	<u>Total Year To Date</u>	<u>Budget Year To Date</u>	<u>Budget Year To Date Minus Total Year To Date</u>
1. Gross Revenues	_____	_____	_____	_____
2. Operating Expenses	_____	_____	_____	_____
3. Bond Payments:				
<u>Type of Issue</u>				
Clean Water SRF	_____	_____	_____	_____
Drinking Water TRF	_____	_____	_____	_____
Infrastructure Fund	_____	_____	_____	_____
Water Development Authority	_____	_____	_____	_____
Rural Utilities Service	_____	_____	_____	_____
Economic Development	_____	_____	_____	_____
Administration	_____	_____	_____	_____
Other (Identify)	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
4. Renewal and Replacement Fund Deposits	_____	_____	_____	_____

 Name of Person Completing Form

 Address

 Telephone

INSTRUCTIONS FOR COMPLETING MONTHLY FINANCIAL REPORT

- Item 1 You will need a copy of the current fiscal year budget adopted by the Governmental Agency to complete Items 1 and 2. In Item 1, provide the amount of actual **Gross Revenues** for the current month and the total amount year-to-date in the respective columns. Divide the budgeted annual Gross Revenues by 12. For example, if Gross Revenues of \$1,200 are anticipated to be received for the year, each month the base would be increased by \$100 ($\$1,200/12$). This is the incremental amount for the Budget Year-to-Date column.
- Item 2 Provide the amount of actual **Operating Expenses** for the current month and the total amount year-to-date in the respective columns. Any administrative fee should be included in the Operating Expenses. Divide the budgeted annual Operating Expenses by 12. For example, if Operating Expenses of \$900 are anticipated to be incurred for the year, each month the base would be increased by \$75 ($\$900/12$). This is the incremental amount for the Budget Year-to-Date column.
- Item 3 Provide the **Bond Payments (principal, interest and reserve account)** for all the outstanding bonds of the Governmental Agency according to the source of funding. For example, Clean Water State Revolving Fund loan from Department of Environmental Protection, Drinking Water Treatment Revolving Fund loan from Bureau for Public Health, Infrastructure Fund loan from Infrastructure and Jobs Development Council, or a loan from the Water Development Authority, etc.
- Item 4 Provide the amount deposited into the **Renewal and Replacement Fund** each month. This amount is equal to 2.5% of Gross Revenues minus the total reserve account payments included in Item 3. If Gross Revenues are \$1,200, then \$30 (2.5% of \$1,200), LESS the amount of all reserve account payments in Item 3 should be deposited into the Renewal and Replacement Fund. The money in the Renewal and Replacement Fund should be kept separate and apart from all other funds of the Governmental Agency.

The Governmental Agency must complete the Monthly Financial Report and forward it to the Water Development Authority by the 10th day of each month, commencing on the date contracts are executed for the acquisition or construction of the Project and for two years following the completion of acquisition or construction of the Project.

EXHIBIT D

MONTHLY PAYMENT FORM

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

Re: [Name of bond issue]

Ladies and Gentlemen:

The following deposits were made to the West Virginia Municipal Bond Commission on behalf of [Name of Governmental Agency] on [Date].

Sinking Fund:

Interest \$_____

Principal \$_____

Total: \$_____

Reserve Account: \$_____

Witness my signature this ____ day of_____.

[Name of Governmental Agency]

By: _____
Authorized Officer

Enclosure: copy of check(s)

SCHEDULE X

DESCRIPTION OF LOCAL BONDS

Principal Amount of Local Bonds \$800,000
Purchase Price of Local Bonds \$800,000

The Local Bonds shall bear no interest. Commencing September 1, 2005, principal of the Local Bonds is payable quarterly. Quarterly payments will be made on March 1, June 1, September 1 and December 1 of each year as set forth on the Schedule Y attached hereto and incorporated herein by reference.

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

The Local Bonds are fully registered in the name of the Authority as to interest, if any, and principal and the Local Bonds shall grant the Authority a first lien on the gross or net revenues of the Governmental Agency's system as provided in the Local Act.

The Governmental Agency may prepay the Local 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 Local Bonds which request must be filed at least 60 days prior to the intended date of issuance.

As of the date of the Loan Agreement, the Local Bonds are on a parity as to liens, pledge and source of and security for payment with the following obligations of the Governmental Agency:

1. Sewer Revenue Bonds, Series 2003 A (United States Department of Agriculture), dated November 6, 2003, issued in the original aggregate principal amount of \$500,000.

SCHEDULE Y

City of Smithers
 Loan of \$800,000
 0% Interest Rate, 40 Years
 Closing Date: November 6, 2003

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
12/01/2003	-	-	-
3/01/2004	-	-	-
6/01/2004	-	-	-
9/01/2004	-	-	-
12/01/2004	-	-	-
3/01/2005	-	-	-
6/01/2005	-	-	-
9/01/2005	5,228.76	-	5,228.76
12/01/2005	5,228.76	-	5,228.76
3/01/2006	5,228.76	-	5,228.76
6/01/2006	5,228.76	-	5,228.76
9/01/2006	5,228.76	-	5,228.76
12/01/2006	5,228.76	-	5,228.76
3/01/2007	5,228.76	-	5,228.76
6/01/2007	5,228.76	-	5,228.76
9/01/2007	5,228.76	-	5,228.76
12/01/2007	5,228.76	-	5,228.76
3/01/2008	5,228.76	-	5,228.76
6/01/2008	5,228.76	-	5,228.76
9/01/2008	5,228.76	-	5,228.76
12/01/2008	5,228.76	-	5,228.76
3/01/2009	5,228.76	-	5,228.76
6/01/2009	5,228.76	-	5,228.76
9/01/2009	5,228.76	-	5,228.76
12/01/2009	5,228.76	-	5,228.76
3/01/2010	5,228.76	-	5,228.76
6/01/2010	5,228.76	-	5,228.76
9/01/2010	5,228.76	-	5,228.76
12/01/2010	5,228.76	-	5,228.76
3/01/2011	5,228.76	-	5,228.76
6/01/2011	5,228.76	-	5,228.76
9/01/2011	5,228.76	-	5,228.76
12/01/2011	5,228.76	-	5,228.76
3/01/2012	5,228.76	-	5,228.76
6/01/2012	5,228.76	-	5,228.76
9/01/2012	5,228.76	-	5,228.76
12/01/2012	5,228.76	-	5,228.76
3/01/2013	5,228.76	-	5,228.76
6/01/2013	5,228.76	-	5,228.76
9/01/2013	5,228.76	-	5,228.76
12/01/2013	5,228.76	-	5,228.76
3/01/2014	5,228.76	-	5,228.76
6/01/2014	5,228.76	-	5,228.76
9/01/2014	5,228.76	-	5,228.76
12/01/2014	5,228.76	-	5,228.76
3/01/2015	5,228.76	-	5,228.76
6/01/2015	5,228.76	-	5,228.76

City of Smithers
 Loan of \$800,000
 0% Interest Rate, 40 Years
 Closing Date: November 6, 2003

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
9/01/2015	5,228.76	-	5,228.76
12/01/2015	5,228.76	-	5,228.76
3/01/2016	5,228.76	-	5,228.76
6/01/2016	5,228.76	-	5,228.76
9/01/2016	5,228.76	-	5,228.76
12/01/2016	5,228.76	-	5,228.76
3/01/2017	5,228.76	-	5,228.76
6/01/2017	5,228.76	-	5,228.76
9/01/2017	5,228.76	-	5,228.76
12/01/2017	5,228.76	-	5,228.76
3/01/2018	5,228.76	-	5,228.76
6/01/2018	5,228.76	-	5,228.76
9/01/2018	5,228.76	-	5,228.76
12/01/2018	5,228.76	-	5,228.76
3/01/2019	5,228.76	-	5,228.76
6/01/2019	5,228.76	-	5,228.76
9/01/2019	5,228.76	-	5,228.76
12/01/2019	5,228.76	-	5,228.76
3/01/2020	5,228.76	-	5,228.76
6/01/2020	5,228.76	-	5,228.76
9/01/2020	5,228.76	-	5,228.76
12/01/2020	5,228.76	-	5,228.76
3/01/2021	5,228.76	-	5,228.76
6/01/2021	5,228.76	-	5,228.76
9/01/2021	5,228.76	-	5,228.76
12/01/2021	5,228.76	-	5,228.76
3/01/2022	5,228.76	-	5,228.76
6/01/2022	5,228.76	-	5,228.76
9/01/2022	5,228.76	-	5,228.76
12/01/2022	5,228.76	-	5,228.76
3/01/2023	5,228.76	-	5,228.76
6/01/2023	5,228.76	-	5,228.76
9/01/2023	5,228.76	-	5,228.76
12/01/2023	5,228.76	-	5,228.76
3/01/2024	5,228.76	-	5,228.76
6/01/2024	5,228.76	-	5,228.76
9/01/2024	5,228.76	-	5,228.76
12/01/2024	5,228.76	-	5,228.76
3/01/2025	5,228.76	-	5,228.76
6/01/2025	5,228.76	-	5,228.76
9/01/2025	5,228.76	-	5,228.76
12/01/2025	5,228.76	-	5,228.76
3/01/2026	5,228.76	-	5,228.76
6/01/2026	5,228.76	-	5,228.76
9/01/2026	5,228.76	-	5,228.76
12/01/2026	5,228.76	-	5,228.76
3/01/2027	5,228.76	-	5,228.76

City of Smithers
 Loan of \$800,000
 0% Interest Rate, 40 Years
 Closing Date: November 6, 2003

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
6/01/2027	5,228.76	-	5,228.76
9/01/2027	5,228.76	-	5,228.76
12/01/2027	5,228.76	-	5,228.76
3/01/2028	5,228.76	-	5,228.76
6/01/2028	5,228.76	-	5,228.76
9/01/2028	5,228.76	-	5,228.76
12/01/2028	5,228.76	-	5,228.76
3/01/2029	5,228.76	-	5,228.76
6/01/2029	5,228.76	-	5,228.76
9/01/2029	5,228.76	-	5,228.76
12/01/2029	5,228.76	-	5,228.76
3/01/2030	5,228.76	-	5,228.76
6/01/2030	5,228.76	-	5,228.76
9/01/2030	5,228.76	-	5,228.76
12/01/2030	5,228.76	-	5,228.76
3/01/2031	5,228.76	-	5,228.76
6/01/2031	5,228.76	-	5,228.76
9/01/2031	5,228.76	-	5,228.76
12/01/2031	5,228.76	-	5,228.76
3/01/2032	5,228.76	-	5,228.76
6/01/2032	5,228.76	-	5,228.76
9/01/2032	5,228.76	-	5,228.76
12/01/2032	5,228.76	-	5,228.76
3/01/2033	5,228.76	-	5,228.76
6/01/2033	5,228.76	-	5,228.76
9/01/2033	5,228.76	-	5,228.76
12/01/2033	5,228.76	-	5,228.76
3/01/2034	5,228.76	-	5,228.76
6/01/2034	5,228.76	-	5,228.76
9/01/2034	5,228.76	-	5,228.76
12/01/2034	5,228.76	-	5,228.76
3/01/2035	5,228.76	-	5,228.76
6/01/2035	5,228.76	-	5,228.76
9/01/2035	5,228.76	-	5,228.76
12/01/2035	5,228.76	-	5,228.76
3/01/2036	5,228.76	-	5,228.76
6/01/2036	5,228.76	-	5,228.76
9/01/2036	5,228.76	-	5,228.76
12/01/2036	5,228.75	-	5,228.75
3/01/2037	5,228.75	-	5,228.75
6/01/2037	5,228.75	-	5,228.75
9/01/2037	5,228.75	-	5,228.75
12/01/2037	5,228.75	-	5,228.75
3/01/2038	5,228.75	-	5,228.75
6/01/2038	5,228.75	-	5,228.75
9/01/2038	5,228.75	-	5,228.75
12/01/2038	5,228.75	-	5,228.75

City of Smithers
 Loan of \$800,000
 0% Interest Rate, 40 Years
 Closing Date: November 6, 2003

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
3/01/2039	5,228.75	-	5,228.75
6/01/2039	5,228.75	-	5,228.75
9/01/2039	5,228.75	-	5,228.75
12/01/2039	5,228.75	-	5,228.75
3/01/2040	5,228.75	-	5,228.75
6/01/2040	5,228.75	-	5,228.75
9/01/2040	5,228.75	-	5,228.75
12/01/2040	5,228.75	-	5,228.75
3/01/2041	5,228.75	-	5,228.75
6/01/2041	5,228.75	-	5,228.75
9/01/2041	5,228.75	-	5,228.75
12/01/2041	5,228.75	-	5,228.75
3/01/2042	5,228.75	-	5,228.75
6/01/2042	5,228.75	-	5,228.75
9/01/2042	5,228.75	-	5,228.75
12/01/2042	5,228.75	-	5,228.75
3/01/2043	5,228.75	-	5,228.75
6/01/2043	5,228.75	-	5,228.75
9/01/2043	5,228.75	-	5,228.75
Total	800,000.00	-	800,000.00

YIELD STATISTICS

Bond Year Dollars.....	\$16,655.55
Average Life.....	20.819 Years
Average Coupon.....	-
Net Interest Cost (NIC).....	-
True Interest Cost (TIC).....	1.00E-10
Bond Yield for Arbitrage Purposes.....	1.00E-10
All Inclusive Cost (AIC).....	1.00E-10

IRS FORM 8038

Net Interest Cost.....	-
Weighted Average Maturity.....	20.819 Years

Ferris, Baker Watts
 West Virginia Public Finance Office

File = City of Smithers Loans.sf-10-20-03- SINGLE PURPOSE
 10/20/2003 5:24 PM

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF SMITHERS
SEWER REVENUE BOND, SERIES 2003 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)

No. AR-1

Date: November 6, 2003

FOR VALUE RECEIVED, the CITY OF SMITHERS (the "Borrower") promises to pay to the order of the United States of America (the "Government"), or its registered assigns, at its National Finance Office, St. Louis, Missouri 63103, or at such other place as the Government may hereafter designate in writing, the principal sum of FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00), plus interest on the unpaid principal balance at the rate of 4.50% per annum. The said principal and interest shall be paid in the following installments on the following dates: Monthly installments of interest only, commencing 30 days following delivery of this Bond and continuing on the corresponding day of each month for the first 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 40 years from the date of this Bond in the sum of the unpaid principal and interest due on the date thereof, and except that prepayments may be made as provided hereinbelow. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

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

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

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

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

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

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

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

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

This Bond, together with any additional bonds ranking on a parity herewith which may be issued and outstanding for the purpose of providing funds for financing costs of acquisition and construction of a new public sewerage system (the "System") of the Borrower, is payable solely from the net revenues to be derived from the operation of the System in the manner provided in the hereinafter defined Ordinance. This Bond does not in any manner constitute a corporate indebtedness of Borrower within the meaning of any constitutional or statutory provision or limitation.

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

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

This Bond has been issued under and in full compliance with the Constitution and statutes of the State of West Virginia, including, among others, Chapter 16, Article 13 of the West Virginia Code, as amended (the "Act"), and an Ordinance of the Borrower duly enacted on October 27, 2003, authorizing issuance of this Bond (the "Ordinance").

If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a responsible cooperative or private credit source at reasonable rates and terms for

loans for similar purposes and periods of time, Borrower will, at the Government's request, apply for and accept such loan in sufficient amount to repay the Government.

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

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S SEWER REVENUE BOND, SERIES 2003 B (WEST VIRGINIA INFRASTRUCTURE FUND), DATED NOVEMBER 6, 2003, ISSUED CONCURRENTLY HERewith IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$800,000.

RECORD OF ADVANCES

<u>AMOUNT</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>DATE</u>
(1) \$216,655.77	11/6/03	(19) \$	
(2) \$		(20) \$	
(3) \$		(21) \$	
(4) \$		(22) \$	
(5) \$		(23) \$	
(6) \$		(24) \$	
(7) \$		(25) \$	
(8) \$		(26) \$	
(9) \$		(27) \$	
(10) \$		(28) \$	
(11) \$		(29) \$	
(12) \$		(30) \$	
(13) \$		(31) \$	
(14) \$		(32) \$	
(15) \$		(33) \$	
(16) \$		(34) \$	
(17) \$		(35) \$	
(18) \$		(36) \$	

TOTAL

\$ _____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF SMITHERS
SEWER REVENUE BOND, SERIES 2003 B
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. BR-1

\$800,000.00

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF SMITHERS, a municipal corporation and political subdivision of the State of West Virginia in Fayette County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of EIGHT HUNDRED THOUSAND DOLLARS (\$800,000.00), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2005, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

This Bond shall bear no interest. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent").

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), 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 Council, dated November 6, 2003.

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"); (ii) to pay a portion of the Issuer's Step 1 loan (as defined in the hereinafter described Bond Legislation); and (iii) to pay certain costs of issuance of the Bonds of this Series (the "Bonds") and related costs. The Project and any further additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13 and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), a Bond Ordinance duly enacted by the Issuer on October 27, 2003, and a Supplemental Resolution duly adopted by the Issuer on October 27, 2003 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE ISSUER'S SEWER REVENUE BOND, SERIES 2003 A (UNITED STATES DEPARTMENT OF AGRICULTURE), DATED NOVEMBER 6, 2003, ISSUED CONCURRENTLY HERewith IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$500,000 (THE "SERIES 2003 A BONDS").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, on a parity with the pledge of Net Revenues in favor of the Holders of the Series 2003 A Bonds, and from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 2003 B Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, 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, if any, hereon, except from said special fund provided from the Net Revenues, the moneys in the Series 2003 B Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds, including the Series 2003 A Bonds; provided however, that so long as there exists in the Series 2003 B Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, including the Series 2003 A Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of United Bank, Inc., Charleston, West Virginia, as registrar (the "Registrar"), by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or its attorney duly authorized in writing.

Subject to the registration requirements 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 and the Bond Legislation, shall be applied solely to payment of the costs of the Project and costs of issuance hereof described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered 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 at the issuance of this Bond do exist, 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 Net Revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of this Bond.

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

IN WITNESS WHEREOF, the CITY OF SMITHERS 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 November 6, 2003.

[SEAL]

SPECIMEN

Martha Click

Mayor

ATTEST:

George Williamson III

Recorder

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2003 B Bond described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: November 6, 2003.

UNITED BANK, INC., as Registrar

By: *K. J. Smith*
Vice President

EXHIBIT A

RECORD OF ADVANCES

<u>AMOUNT</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>DATE</u>
(1) \$104,640.00	11/6/03	(19) \$	
(2) \$		(20) \$	
(3) \$		(21) \$	
(4) \$		(22) \$	
(5) \$		(23) \$	
(6) \$		(24) \$	
(7) \$		(25) \$	
(8) \$		(26) \$	
(9) \$		(27) \$	
(10) \$		(28) \$	
(11) \$		(29) \$	
(12) \$		(30) \$	
(13) \$		(31) \$	
(14) \$		(32) \$	
(15) \$		(33) \$	
(16) \$		(34) \$	
(17) \$		(35) \$	
(18) \$		(36) \$	
TOTAL		\$	

DEBT SERVICE SCHEDULE

City of Smithers (West Virginia)

Loan of \$800,000

0% Interest Rate, 40 Years

Closing Date: November 6, 2003

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
12/01/2003	-	-	-
3/01/2004	-	-	-
6/01/2004	-	-	-
9/01/2004	-	-	-
12/01/2004	-	-	-
3/01/2005	-	-	-
6/01/2005	-	-	-
9/01/2005	5,228.76	-	5,228.76
12/01/2005	5,228.76	-	5,228.76
3/01/2006	5,228.76	-	5,228.76
6/01/2006	5,228.76	-	5,228.76
9/01/2006	5,228.76	-	5,228.76
12/01/2006	5,228.76	-	5,228.76
3/01/2007	5,228.76	-	5,228.76
6/01/2007	5,228.76	-	5,228.76
9/01/2007	5,228.76	-	5,228.76
12/01/2007	5,228.76	-	5,228.76
3/01/2008	5,228.76	-	5,228.76
6/01/2008	5,228.76	-	5,228.76
9/01/2008	5,228.76	-	5,228.76
12/01/2008	5,228.76	-	5,228.76
3/01/2009	5,228.76	-	5,228.76
6/01/2009	5,228.76	-	5,228.76
9/01/2009	5,228.76	-	5,228.76
12/01/2009	5,228.76	-	5,228.76
3/01/2010	5,228.76	-	5,228.76
6/01/2010	5,228.76	-	5,228.76
9/01/2010	5,228.76	-	5,228.76
12/01/2010	5,228.76	-	5,228.76
3/01/2011	5,228.76	-	5,228.76
6/01/2011	5,228.76	-	5,228.76
9/01/2011	5,228.76	-	5,228.76
12/01/2011	5,228.76	-	5,228.76
3/01/2012	5,228.76	-	5,228.76
6/01/2012	5,228.76	-	5,228.76
9/01/2012	5,228.76	-	5,228.76
12/01/2012	5,228.76	-	5,228.76
3/01/2013	5,228.76	-	5,228.76
6/01/2013	5,228.76	-	5,228.76
9/01/2013	5,228.76	-	5,228.76
12/01/2013	5,228.76	-	5,228.76
3/01/2014	5,228.76	-	5,228.76
6/01/2014	5,228.76	-	5,228.76
9/01/2014	5,228.76	-	5,228.76
12/01/2014	5,228.76	-	5,228.76
3/01/2015	5,228.76	-	5,228.76
6/01/2015	5,228.76	-	5,228.76

City of Smithers (West Virginia)

Loan of \$800,000

0% Interest Rate, 40 Years

Closing Date: November 6, 2003

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
9/01/2015	5,228.76	-	5,228.76
12/01/2015	5,228.76	-	5,228.76
3/01/2016	5,228.76	-	5,228.76
6/01/2016	5,228.76	-	5,228.76
9/01/2016	5,228.76	-	5,228.76
12/01/2016	5,228.76	-	5,228.76
3/01/2017	5,228.76	-	5,228.76
6/01/2017	5,228.76	-	5,228.76
9/01/2017	5,228.76	-	5,228.76
12/01/2017	5,228.76	-	5,228.76
3/01/2018	5,228.76	-	5,228.76
6/01/2018	5,228.76	-	5,228.76
9/01/2018	5,228.76	-	5,228.76
12/01/2018	5,228.76	-	5,228.76
3/01/2019	5,228.76	-	5,228.76
6/01/2019	5,228.76	-	5,228.76
9/01/2019	5,228.76	-	5,228.76
12/01/2019	5,228.76	-	5,228.76
3/01/2020	5,228.76	-	5,228.76
6/01/2020	5,228.76	-	5,228.76
9/01/2020	5,228.76	-	5,228.76
12/01/2020	5,228.76	-	5,228.76
3/01/2021	5,228.76	-	5,228.76
6/01/2021	5,228.76	-	5,228.76
9/01/2021	5,228.76	-	5,228.76
12/01/2021	5,228.76	-	5,228.76
3/01/2022	5,228.76	-	5,228.76
6/01/2022	5,228.76	-	5,228.76
9/01/2022	5,228.76	-	5,228.76
12/01/2022	5,228.76	-	5,228.76
3/01/2023	5,228.76	-	5,228.76
6/01/2023	5,228.76	-	5,228.76
9/01/2023	5,228.76	-	5,228.76
12/01/2023	5,228.76	-	5,228.76
3/01/2024	5,228.76	-	5,228.76
6/01/2024	5,228.76	-	5,228.76
9/01/2024	5,228.76	-	5,228.76
12/01/2024	5,228.76	-	5,228.76
3/01/2025	5,228.76	-	5,228.76
6/01/2025	5,228.76	-	5,228.76
9/01/2025	5,228.76	-	5,228.76
12/01/2025	5,228.76	-	5,228.76
3/01/2026	5,228.76	-	5,228.76
6/01/2026	5,228.76	-	5,228.76
9/01/2026	5,228.76	-	5,228.76
12/01/2026	5,228.76	-	5,228.76
3/01/2027	5,228.76	-	5,228.76

City of Smithers (West Virginia)

Loan of \$800,000

0% Interest Rate, 40 Years

Closing Date: November 6, 2003

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
6/01/2027	5,228.76	-	5,228.76
9/01/2027	5,228.76	-	5,228.76
12/01/2027	5,228.76	-	5,228.76
3/01/2028	5,228.76	-	5,228.76
6/01/2028	5,228.76	-	5,228.76
9/01/2028	5,228.76	-	5,228.76
12/01/2028	5,228.76	-	5,228.76
3/01/2029	5,228.76	-	5,228.76
6/01/2029	5,228.76	-	5,228.76
9/01/2029	5,228.76	-	5,228.76
12/01/2029	5,228.76	-	5,228.76
3/01/2030	5,228.76	-	5,228.76
6/01/2030	5,228.76	-	5,228.76
9/01/2030	5,228.76	-	5,228.76
12/01/2030	5,228.76	-	5,228.76
3/01/2031	5,228.76	-	5,228.76
6/01/2031	5,228.76	-	5,228.76
9/01/2031	5,228.76	-	5,228.76
12/01/2031	5,228.76	-	5,228.76
3/01/2032	5,228.76	-	5,228.76
6/01/2032	5,228.76	-	5,228.76
9/01/2032	5,228.76	-	5,228.76
12/01/2032	5,228.76	-	5,228.76
3/01/2033	5,228.76	-	5,228.76
6/01/2033	5,228.76	-	5,228.76
9/01/2033	5,228.76	-	5,228.76
12/01/2033	5,228.76	-	5,228.76
3/01/2034	5,228.76	-	5,228.76
6/01/2034	5,228.76	-	5,228.76
9/01/2034	5,228.76	-	5,228.76
12/01/2034	5,228.76	-	5,228.76
3/01/2035	5,228.76	-	5,228.76
6/01/2035	5,228.76	-	5,228.76
9/01/2035	5,228.76	-	5,228.76
12/01/2035	5,228.76	-	5,228.76
3/01/2036	5,228.76	-	5,228.76
6/01/2036	5,228.76	-	5,228.76
9/01/2036	5,228.76	-	5,228.76
12/01/2036	5,228.75	-	5,228.75
3/01/2037	5,228.75	-	5,228.75
6/01/2037	5,228.75	-	5,228.75
9/01/2037	5,228.75	-	5,228.75
12/01/2037	5,228.75	-	5,228.75
3/01/2038	5,228.75	-	5,228.75
6/01/2038	5,228.75	-	5,228.75
9/01/2038	5,228.75	-	5,228.75
12/01/2038	5,228.75	-	5,228.75

City of Smithers (West Virginia)

Loan of \$800,000
0% Interest Rate, 40 Years
Closing Date: November 6, 2003

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
3/01/2039	5,228.75	-	5,228.75
6/01/2039	5,228.75	-	5,228.75
9/01/2039	5,228.75	-	5,228.75
12/01/2039	5,228.75	-	5,228.75
3/01/2040	5,228.75	-	5,228.75
6/01/2040	5,228.75	-	5,228.75
9/01/2040	5,228.75	-	5,228.75
12/01/2040	5,228.75	-	5,228.75
3/01/2041	5,228.75	-	5,228.75
6/01/2041	5,228.75	-	5,228.75
9/01/2041	5,228.75	-	5,228.75
12/01/2041	5,228.75	-	5,228.75
3/01/2042	5,228.75	-	5,228.75
6/01/2042	5,228.75	-	5,228.75
9/01/2042	5,228.75	-	5,228.75
12/01/2042	5,228.75	-	5,228.75
3/01/2043	5,228.75	-	5,228.75
6/01/2043	5,228.75	-	5,228.75
9/01/2043	5,228.75	-	5,228.75
Total	800,000.00	-	800,000.00

YIELD STATISTICS

Bond Year Dollars..... \$16,655.55
Average Life..... 20.819 Years
Average Coupon..... -

Net Interest Cost (NIC)..... -
True Interest Cost (TIC)..... 1.00E-10
Bond Yield for Arbitrage Purposes..... 1.00E-10
All Inclusive Cost (AIC)..... 1.00E-10

IRS FORM 8038

Net Interest Cost..... -
Weighted Average Maturity..... 20.819 Years

(Form of)

ASSIGNMENT

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

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

Dated: _____, _____.

In the presence of:

LAW OFFICES

GOODWIN & GOODWIN, LLP

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500 CHURCH STREET
RIPLEY, WEST VIRGINIA 25271
(304) 372-2651

November 6, 2003

City of Smithers
175 Michigan Avenue
Smithers, WV 25186

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

Re: \$500,000 City of Smithers Sewer Revenue Bond,
Series 2003 A (United States Department of Agriculture)

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by the City of Smithers (the "Issuer") of its Sewer Revenue Bond, Series 2003 A (United States Department of Agriculture), in the principal amount of \$500,000, bearing interest on the unpaid principal balance from date of delivery at the rate of four and one half percent (4.50%) per annum, and dated on the date hereof (the "Bond").

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

Interest only on the Bond is payable in monthly installments for the twenty-four (24) months after delivery of the Bond and thereafter the principal of and interest on the Bond is payable in monthly installments of \$2,295.00, to and including the 480th month after the date of the Bond, the final installment to be in the sum of the unpaid principal and interest due on the date thereof.

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

GOODWIN & GOODWIN, LLP

November 6, 2003

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The Bond Ordinance and the Bond provide that the issue is for the purpose of financing a portion of the costs of construction and acquisition of the improvements and additions to an existing sewer system (the "System") of the Issuer, repayment of the Issuer's Sewer Revenue Bonds, Series 1965, and a portion of its Step I Loan and payment of the costs of issuance of the Bond.

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

It is our opinion that:

1. The Issuer is a duly organized and presently existing municipality and is a political subdivision of the State of West Virginia with full power and authority to construct, acquire, operate and maintain the System and issue and sell the Bond, all under the provisions of Chapter 16, Article 13 (the "Act"), of the Code of West Virginia, 1931, as amended, and other applicable provisions of law.

2. The Issuer, through its Council, has legally and effectively enacted the Bond Ordinance in connection with the bond issue and issued, sold and delivered the Bond to the United States Department of Agriculture.

3. As of this date, the Bond is in due and proper form and has been duly executed and delivered and constitutes a valid and legally enforceable special obligation of the Issuer secured by and payable solely from a statutory lien, as described in the Bond Ordinance, and a pledge of the net revenues of the System, all in accordance with the terms of the Bond and the Bond Ordinance and on parity with the Issuer's Sewer Revenue Bond, Series 2003 B (West Virginia Infrastructure Fund), issued in the original principal amount of \$800,000.

4. The Bond has not been issued on the basis that the interest, if any, thereon is or will be excluded from the gross income of the owners thereof for federal income tax purposes. We express no opinion regarding the excludability of such interest from the gross income of the owners thereof for federal income tax purposes or other federal tax consequences arising with respect to the Bond.

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

6. The Series 1965 Bond has been paid within the meaning and with the effect expressed in the 1965 Bond Ordinance and the covenants, agreements and other

GOODWIN & GOODWIN, LLP

November 6, 2003

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obligations of the Issuer to the owners of the Series 1965 Bond have been satisfied and discharged. In rendering the opinion set forth in this paragraph, we have relied upon the certificate of the West Virginia Municipal Bond Commission, the paying agent for the Series 1965 Bond, that it has received payment for the entire outstanding principal of, the redemption premium and all interest accrued on the Series 1965 and the Series 1965 Bond has been defeased.

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Goodwin & Goodwin, LLP".

GOODWIN & GOODWIN, LLP

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November 6, 2003

City of Smithers
Smithers, West Virginia

West Virginia Infrastructure and Jobs Development Council
Charleston, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

Re: \$800,000 City of Smithers Sewer Revenue Bond,
Series 2003 B (West Virginia Infrastructure Fund)

Ladies and Gentlemen:

We have served as bond counsel to City of Smithers (the "Issuer") in connection with the issuance of its Sewer Revenue Bond, Series 2003 B (West Virginia Infrastructure Fund), dated the date hereof (the "Bond").

We have examined certified copies of proceedings and other papers relating to the authorization of (i) a loan agreement for the Bonds, dated November 6, 2003, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), and (ii) the Bond to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Bond is issued in the principal amount of \$800,000, in the form of one bond, registered as to principal only to the Authority, bearing no interest, with principal payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2005, all as set forth in the Schedule Y attached to the Loan Agreement and incorporated in and made a part of the Bond.

The 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 Code of West Virginia, 1931, as amended

GOODWIN & GOODWIN, LLP

November 6, 2003

Page 2

(collectively, the "Act"), for the purposes of (i) paying a portion of the Issuer's Step I loan; (ii) paying a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public sewer facilities of the Issuer (the "Project"); and (iii) paying certain costs of issuance and related costs.

We have also examined the applicable provisions of the Act and a Bond Ordinance duly enacted by the Issuer on October 27, 2003, as supplemented by a Supplemental Resolution duly adopted by the Issuer on October 27, 2003 (collectively, the "Ordinance"), pursuant to and under which Act and Ordinance the Bond is authorized and issued, and the Loan Agreement is entered into. 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. All capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Ordinance and the Loan Agreement when used herein.

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

1. The Issuer is a duly created and validly existing municipality and political subdivision of the State of West Virginia, with full power and authority to acquire and construct the Project, to operate and maintain the System, to enact the Ordinance and to issue and sell the Bond, all under the Act and other applicable provisions of law.

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

3. The Loan Agreement inures to the benefit of the Authority and the Council and cannot be amended so as to affect adversely the rights of the Authority and the Council or diminish the obligations of the Issuer, without the written consent of the Authority and the Council.

4. The Issuer has legally and effectively enacted and adopted the Ordinance and all other necessary Ordinances in connection with the issuance and sale of the Bond. The Ordinance constitutes a valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms thereof and contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

GOODWIN & GOODWIN, LLP

November 6, 2003

Page 3

5. The Bond has been duly authorized, issued, executed and delivered by the Issuer to the Authority and is a valid, legally enforceable and binding special obligation of the Issuer, payable from the Net Revenues of the System and secured by a first lien on and a pledge of the Net Revenues of the System, on a parity with respect to liens, pledge and source of and security for payment with the Sewer Revenue Bond, Series 2003 A (United States Department of Agriculture), all in accordance with the terms of the Bond and the Ordinance.

6. Under the Act, the Bond and the interest thereon, if any, are exempt from taxation by the State of West Virginia and the other taxing bodies of the State.

7. The Bond has not been issued on the basis that the interest, if any, thereon is or will be excluded from the gross income of the owners thereof for federal income tax purposes. We express no opinion regarding the excludability of such interest from the gross income of the owners thereof for federal income tax purposes or other federal tax consequences arising with respect to the Bond.

8. The Series 1965 Bond has been paid within the meaning and with the effect expressed in the 1965 Bond Ordinance and the covenants, agreements and other obligations of the Issuer to the owners of the Series 1965 Bond have been satisfied and discharged. In rendering the opinion set forth in this paragraph, we have relied upon the certificate of the West Virginia Municipal Bond Commission, the paying agent for the Series 1965 Bond, that it has received payment for the entire outstanding principal of, the redemption premium and all interest accrued on the Series 1965 and the Series 1965 Bond has been defeased.

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

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

Respectfully submitted,

Goodwin & Goodwin, LLP
Goodwin & Goodwin, LLP

JAMES W. LANE, JR.

ATTORNEY AT LAW

WOOLWORTH BUILDING
205 CAPITOL STREET, SUITE 400
P.O. Box 11806
CHARLESTON, WV 25339

(304) 342-0081 FACSIMILE: (304) 343-3365

November 6, 2003

Rural Utilities Service
298 Ragland Road
Beckley, WV 25801

City of Smithers
175 Michigan Avenue
Smithers, WV 25186

Re: \$500,000 City of Smithers Sewer Revenue Bond,
Series 2003 A (United States Department of Agriculture)

Gentlemen:

As attorney for the City of Smithers, Fayette County, West Virginia (the "City"), I have examined the record of proceedings relating to the issue of the City of Smithers, Sewer Revenue Bond, Series 2003 A (United States Department of Agriculture) (the "Bond") and have considered the validity of the bond issue. In this connection I have examined and are familiar with the constitution and statutes of the State of West Virginia, including Chapter 16, Article 13 of the Code of West Virginia of 1931, as amended, the City's Certificate of Incorporation, related minutes and a certified copy of the Ordinance passed by the City (the "Ordinance"), a copy of the certificate of convenience and public necessity issued by the West Virginia Public Service Commission, the sewer rates necessary to pay for the Bond as described in the Ordinance, copies of contracts and other documents relating to the funding and approval for the project by the City, including, but not limited, to the construction contract, plans and specifications, and other documents relating to the project, the letter of conditions, as amended, delivered by the Farmers Home Administration (now known as Rural Utilities Service) to the City, and other documents incidental and material to the issuance by the City of the Bond. From such familiarity and examination, we are of the opinion as follows:

1. The City is a duly created and presently existing municipality and political subdivision of the State of West Virginia with full power and authority to construct and acquire and to operate and maintain the Sewer System and to issue and sell the Bond, all under the provisions of Chapter 16, Article 13 (the "Act"), of the Code of West Virginia of 1931, as amended, and other applicable provisions of law.

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

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

4. The Bond constitutes a valid and legally enforceable special obligation of the City secured by and payable solely from a parity lien on and pledge of the net revenue of the System as described in the Ordinance, all in accordance with the terms of the Bond and the Ordinance.

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

6. The City has obtained from the West Virginia Public Service Commission a valid, final and non-appealable certificate of convenience and necessity in Case No. 00-1256-PSD-S-CN which lawfully authorizes the City to proceed with the expansion, construction and maintenance of the City's Sewer System and approves the issuance of the Bond.

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

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

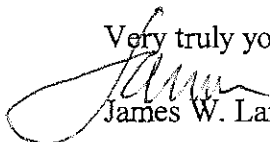
9. All authorization, consents, approvals and reviews by governmental bodies or regulatory authorities then required for the City's adoption, execution or performance of the Bond and the Ordinance have been obtained or affected, and I have no reason to believe that the City will be unable to obtain or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

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

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

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

Very truly yours,


James W. Lane, Jr.

JAMES W. LANE, JR.

ATTORNEY AT LAW

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November 6, 2003

City of Smithers
Smithers, West Virginia

West Virginia Infrastructure and Jobs Development Council
Charleston, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

Goodwin & Goodwin, LLP
Charleston, West Virginia

Re: City of Smithers Sewer Revenue Bond,
Series 2003 B (West Virginia Infrastructure Fund)

Ladies and Gentlemen:

I am counsel to City of Smithers (the "Issuer"). As such counsel, I have examined copies of the approving opinion of Goodwin & Goodwin, LLP, as bond counsel, relating to the above-captioned bond of the Issuer (the "Bond"), a loan agreement for the Bond, dated November 6, 2003, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), a Bond Ordinance duly enacted by the City Council of the Issuer (the "City Council") on October 27, 2003, as supplemented by a Supplemental Resolution duly adopted on October 27, 2003 (collectively, the "Ordinance"), the Petition of the sanitary Board of the Issuer adopted September 18, 2003, the orders of the City Council relating to the appointment of members of the Sanitary Board, and other documents relating to the Bond and the Issuer. All capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Loan Agreement and the Resolution when used herein.

I am of the opinion that:

1. The Issuer is a duly created and validly existing municipal corporation and political subdivision of the State of West Virginia, with full power and authority to acquire and construct the Project, to operate and maintain the System and to enact the Ordinance, all under the Act and other applicable provisions of law.

2. The members and officers of the Issuer and City Council have been duly and properly appointed and elected, have taken the requisite oaths and are thereby authorized to act on behalf of the Issuer in their respective capacities.

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

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

5. The execution and delivery of the Bond and the Loan Agreement and the consummation of the transactions contemplated by the Bond, the Loan Agreement and the Ordinance, and the carrying out of the terms thereof, do not and will not, in any material respect, conflict with or constitute, on the part of the Issuer, a breach of or default under any resolution, agreement or other instrument to which the Issuer is a party or any existing law, regulation, court order or consent decree to which the Issuer is subject.

6. The Issuer has received all permits, licenses, approvals, consents, exemptions, orders, certificates, registrations and authorizations necessary for the creation and existence of the Issuer, the issuance of the Bonds, the acquisition and construction of the Project, the operation of the System and the imposition of rates and charges for the use of the System, including, without limitation, all requisite permits, approvals, orders and certificates from the West Virginia Department of Environmental Protection, the Council and the Public Service Commission of West Virginia (the "PSC"), and the Issuer has taken any other action required for the imposition of such rates and charges, including, without limitation, the enactment of an ordinance prescribing such rates and charges. The Issuer has received the PSC order entered on April 24, 2003, in Case No. 00-1256-PSD-S-CN, as amended by Order entered October 14, 2003, granting to the Issuer a certificate of public convenience and necessity for the Project and the financing for the Project. Such orders are in full force and effect.

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

8. All successful bidders have made the required provisions for all insurance and payment and performance bonds and such insurance policies or binders and such bonds have been verified for accuracy. 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 amount to protect the various interest of the Issuer; (3) have been executed by duly authorized representatives of the proper parties; (4) meet the requirements of the Act, the Ordinance and the Loan Agreement; 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 dark ink, appearing to read 'J. Lane', with a large, sweeping initial 'J'.

James W. Lane, Jr.

JAMES W. LANE, JR.

ATTORNEY AT LAW

WOOLWORTH BUILDING

205 CAPITOL STREET, SUITE 400

P.O. Box 11806

CHARLESTON, WV 25339

(304) 342-0081 FACSIMILE: (304) 343-3365
November 6, 2003

City of Smithers
Smithers, West Virginia

West Virginia Infrastructure and Jobs Development Council
Charleston, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

United States Department of Agriculture
Rural Utilities Service
Morgantown, West Virginia

Goodwin & Goodwin, LLP
Charleston, West Virginia

Re: Final Title Opinion for City of Smithers

Ladies and Gentlemen:

I am counsel to City of Smithers (the "Issuer") in connection with a proposed project to construct certain improvements and extensions to the existing public sewer facilities of the Issuer (the "Project"). I provide this final title opinion on behalf of the Issuer to satisfy the requirements of the United States Department of Agriculture and the West Virginia Infrastructure and Jobs Development Council for the Project. Please be advised of the following:

1. I am of the opinion that the Issuer is a duly created and validly existing municipal corporation possessed with all the powers and authority granted to municipal corporations under the laws of the State of West Virginia to construct, operate and maintain the Project as approved by the West Virginia Department of Environmental Protection.

2. The Issuer has obtained all necessary permits and approvals for the construction and operation of the Project.

3. I have investigated and ascertained the location of, and I am familiar with the legal description of, the necessary sites, including easements and/or rights of way, required for the Project as set forth in the plans for the Project prepared by Ghosh Engineers, Inc..

4. I have examined the records on file in the Office of the Clerk of the County Commission of Fayette County, West Virginia, the county in which the Project is to be located, and, in my opinion, the Issuer has acquired legal title or such other estate or interest in all of the necessary site components for the Project, including all easements and/or rights of way, sufficient to assure undisturbed use and possession for the purpose of construction, operation and maintenance for the estimated life of the Project.

5. All deeds, easements and rights of way that have been acquired to date by the Issuer have been duly recorded in the Office of the Clerk of the County Commission of Fayette County to protect the legal title to and interest of the Issuer.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'J. Lane', with a large, sweeping initial 'J'.

James W. Lane, Jr.

\$500,000
CITY OF SMITHERS
SEWER REVENUE BOND, SERIES 2003 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)
and
\$800,000
CITY OF SMITHERS
SEWER REVENUE BOND, SERIES 2003 B
(WEST VIRGINIA INFRASTRUCTURE FUND)

GENERAL CERTIFICATE ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS AND BIDDING
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. SIGNATURES AND DELIVERY
6. PUBLIC SERVICE COMMISSION ORDER
7. RATES
8. INCUMBENCY AND OFFICIAL NAME
9. LAND AND RIGHTS-OF-WAY
10. MEETINGS
11. INSURANCE
12. LOAN AGREEMENT
13. SPECIMEN BOND
14. BOND PROCEEDS
15. CONFLICTS OF INTEREST
16. VERIFICATION OF SCHEDULE
17. GRANTS
18. COUNTERPARTS

We, the undersigned MAYOR and the undersigned RECORDER of the City Council of City of Smithers (the "Issuer") and the undersigned ATTORNEY for the Issuer, hereby certify in connection with the City of Smithers Sewer Revenue Bond, Series 2003 A (United States Department of Agriculture) (the "Series 2003 A Bond") and Sewer Revenue Bond, Series 2003 B (West Virginia Infrastructure Fund) (the "Series 2003 B Bond"), dated the date hereof (collectively, the "Bonds"), as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined herein shall have the same meaning set forth in the Bond Ordinance duly enacted by the Issuer on October 27, 2003, and the Supplemental Resolution duly adopted by the Issuer on October 27, 2003 (collectively, the "Ordinances"), and the loan agreement for

the Series 2003 B Bond by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), dated November 6, 2003 (the "Loan Agreement").

2. NO LITIGATION: No controversy or litigation of any nature is now pending or, to the knowledge of any of the undersigned, threatened, restraining, enjoining or affecting in any manner the authorization, issuance, sale and delivery of the Bonds, the acquisition and construction of the Project, the operation of the System, the collection or use of the revenues of the System, or the pledge and security of the Net Revenues for the Bonds; nor affecting the validity of the Bonds or any provisions made or authorized for the payment thereof; nor questioning the existence of the Issuer or the title of the members of its governing body or the elected officials or officers of the Issuer or the City Council thereof to their respective offices; nor questioning any proceedings of the Issuer taken with respect to the authorization, issuance, sale or delivery of the Bonds, the acquisition and construction of the Project, the operation of the System, the collection or use of the revenues of the System, or the pledge and security of the Net Revenues for the Bonds.

3. GOVERNMENTAL APPROVALS AND BIDDING: All applicable approvals, permits, exemptions, consents, authorizations, registrations, licenses, orders and certificates required by law for the creation and existence of the Issuer, the acquisition and construction of the Project, the operation of the System and the issuance of the Bonds have been duly and timely obtained and remain in full force and effect. Competitive bids for the acquisition and construction of the Project have been solicited by the Issuer in accordance with Chapter 5, Article 22, Section 1 of the Code of West Virginia, 1931, as amended, which bids remain in full force and effect.

4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the Issuer since the approval, execution and delivery of the Loan Agreement. The Issuer has met all conditions set forth in the Loan Agreement and will provide the financial, institutional, legal and managerial capabilities necessary to complete and operate the Project.

The Bonds shall be issued on a parity with each other with respect to liens, pledge and source of and security for payment and in all other respects. There are no other bonds or obligations of the Issuer that are secured by revenues or assets of the System.

5. SIGNATURES AND DELIVERY: The undersigned Mayor and Recorder are the duly elected or appointed, qualified and acting officers of the Issuer as indicated by the official titles opposite their signatures below, and are duly authorized to execute and seal the Bonds for the Issuer. The seal impressed upon the Bonds and this Certificate is the duly authorized, proper and only seal of the Issuer. On the date hereof, the undersigned Mayor did officially sign the Bonds, consisting upon original issuance of two (2) Bonds, dated the date hereof, by her manual signature; the undersigned Recorder did officially cause the seal of the Issuer to be affixed upon the Bonds and to be attested by his manual signature; the Registrar did

officially authenticate and deliver the Bonds to the United States of America ("RUS") and to the Authority as the respective, original purchasers of the Bonds.

6. PUBLIC SERVICE COMMISSION ORDER: The Issuer has received the order of the Public Service Commission of West Virginia (the "PSC") entered on April 24, 2003, and amended on October 14, 2003, in Case No. 00-1256-PSD-S-CN, as the same was amended by order of the Public Service Commission on October 14, 2003, which altered the scope and financing for the Project, granting to the Issuer a certificate of public convenience and necessity for the Project, approving the financing for the Project and approving the Operating Agreement with Kanawha Falls Public Service District. Such orders remain in full force and effect. The Issuer will take all action necessary to ratify the execution of the Operating Agreement.

The Issuer has duly published the required notice with respect to, among other things, the amounts of the Bonds to be issued, the interest rates and terms of the Bonds, the Project to be acquired or constructed and the cost of the Project, in accordance with Chapter 16, Article 13 of the Code of West Virginia, 1931, as amended.

7. RATES: The rates for the System, as approved by the PSC Order, are currently in effect.

8. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Issuer is "City of Smithers", and it is a municipal corporation organized and existing under the laws of, and a political subdivision of, the State of West Virginia in Fayette County of said State. The governing body of the Issuer is its Mayor and City Council, consisting of five members, whose names and dates of commencement and termination of their current terms are as follows:

<u>Name</u>	<u>Term</u>	<u>Office</u>
Martha Click	August 17, 2003 to June 30, 2006	Mayor
George Williamson, III	September 10, 2003 to June 30, 2006	Recorder
Gregg Wagner	July 1, 2002 to June 30, 2006	Council Member
Kathy Frank	July 1, 2002 to June 30, 2006	Council Member
Tom Whittington	July 1, 2002 to June 30, 2006	Council Member
Wayne Fitzwater	September 10, 2003 to June 30, 2006	Council Member
Ruth Ann Cavalier	July 1, 2002 to June 30, 2006	Council Member

The duly appointed and acting attorney for the Issuer is H. Carl Harris, III, Esquire, of Fayetteville, West Virginia.

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

10. MEETINGS: All actions, ordinances, resolutions, orders and agreements taken, enacted, adopted and entered into by or on behalf of the Issuer in any way connected with the issuance of the Bond and the acquisition, construction, operation and financing of the Project or the System were authorized or adopted at meetings of the Council duly and regularly or specifically called and held pursuant to all applicable statutes, and a quorum of duly elected, qualified and acting members of the Council was present and acting at all times during all such meetings. All notices required to be posted and/or published were so posted and/or published.

11. INSURANCE: The Issuer will maintain or, as appropriate, will require all contractors to maintain Workers' Compensation, public liability and property damage insurance, standard hazard insurance, builder's risk insurance, flood insurance and business interruption insurance, where applicable, in accordance with the Ordinances and the Loan Agreement.

12. LOAN AGREEMENT: As of the date hereof, (i) the representations of the Issuer contained in the Loan Agreement are true and correct in all material respects as if made on the date hereof; (ii) the Loan Agreement does not contain any untrue statements of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (iii) to the best knowledge of the undersigned, no event affecting the Issuer has occurred since the date of the Loan Agreement, which should be disclosed for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading; and (iv) the Issuer is in compliance with the Loan Agreement.

13. SPECIMEN BONDS: Attached hereto as Exhibit A are specimens of the Bonds which, except as to execution and authentication, are identical in all respects with the Bonds this day delivered to RUS and the Authority and being substantially in the forms prescribed in the Ordinances.

14. BOND PROCEEDS: On the date hereof, the Issuer received \$216,655.77 and \$104,640.00 from the Authority and the Council, respectively, being portions of the principal amounts of the Series 2003 A and Series 2003 B Bonds, respectively. The balance of the principal amounts of Bonds will be advanced to the Issuer from time to time as acquisition and construction of the Project progresses.

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

16. VERIFICATION OF SCHEDULE: The final amended Schedule B attached to the Certificate of Consulting Engineer, with the signature of the Mayor and the Consulting Engineer, accurately represents the estimated costs of the Project, the sources of funds available to pay the costs of the Project and the costs of financing of the Bonds.

17. GRANTS: As of the date hereof, the Small Cities Block Grant in the amount of \$750,000, the Council grant in the amount of \$1,023,000, and the RUS grant in the amount of \$1,319,000 are committed for the Project and are in full force and effect.

18. COUNTERPARTS: This Certificate may be executed in counterparts and all counterparts shall be deemed to be the Certificate.

WITNESS our signatures and the official corporate seal of City of Smithers as of the 6th day of November, 2003.

[SEAL]

Signature

Official Title

Martha Chick

Mayor

George Williamson III

Recorder

Arson

Attorney

\$500,000
CITY OF SMITHERS
SEWER REVENUE BOND, SERIES 2003 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)
and
\$800,000
CITY OF SMITHERS
SEWER REVENUE BOND, SERIES 2003 B
(WEST VIRGINIA INFRASTRUCTURE FUND)

ENGINEER'S CERTIFICATE

I, Pulak Ghosh, Registered Professional Engineer, West Virginia License No. 7806, of Ghosh Engineers, Inc., Charleston, West Virginia, hereby certify as follows:

1. My firm is engineer for the acquisition and construction of certain improvements and extensions (the "Project") to the existing sewer system (the "System") of the City of Smithers (the "City") to be constructed in Fayette County, West Virginia, which construction and acquisition are being financed, in part, by the above-captioned revenue bonds of the City (the "Bonds"). Capitalized terms used and not otherwise defined herein shall have the meaning assigned to such terms in the Ordinance enacted by the City Council of the City on October 27, 2003 (the "Ordinance"), and the Loan Agreement by and between the City and the West Virginia Water Development Authority (the "Authority"), acting on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), dated November 6, 2003 (the "Loan Agreement").

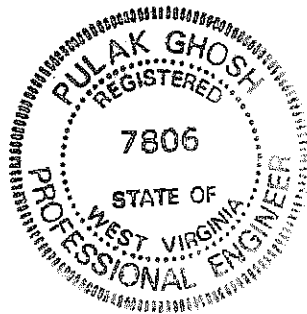
2. The Bonds are being issued for the purposes of (i) repaying the City's Prior Bonds, as defined in the Ordinance, (ii) paying a portion of the costs of the Project and (iii) paying costs of issuance and related costs.

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 approved by the Council, and any change orders approved by the City, the Council and all necessary governmental bodies, (ii) the Project, as designed, is adequate for its intended purpose and will have a useful life of at least 40 years if properly operated and maintained, excepting anticipated replacements due to normal wear and tear, (iii) the City has received bids for the construction of the Project which are in an amount and otherwise compatible with the plan of financing set forth in the Schedule B attached hereto and my firm has ascertained that all successful bidders 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 bidders received any and all addenda to the original bid documents (v) the bid documents reflect the Project as approved by the West Virginia Department of Environmental Protection and the Council and the bid forms provided to the bidders contain all critical operational components of the Project, (vi) the successful bids include prices for every item on such bid forms, (vii) the uniform bid procedures

were followed, (viii) the City has obtained all permits required by the laws of the State of West Virginia and the federal government necessary for the construction of the Project and the operation of the System (ix) in reliance upon the certificate of the City's certified public accountant, Smith, Cochran & Hicks, P.L.L.C. as of the effective date thereof, the rates and charges for the System as enacted by the City Council of the City are or will be sufficient to comply with the provisions 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 therefore, are or will be sufficient to pay the costs of acquisition, construction and equipping of the Project as set forth in Schedule B, and (xi) attached hereto as Exhibit A is the final amended "Schedule B - Total Costs of Project; Sources of Funds and Cost of Financing" for the Project.

WITNESS my signature on this 6th day of November, 2003.

[SEAL]



GHOSH ENGINEERS, INC.

By: _____

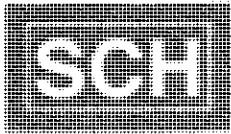
Pulak Ghosh, P.E.

West Virginia License No. 7806

Schedule B – Total Cost of Project; Sources of Funds and Cost of Financing

SCHEDULE B

A. COST OF PROJECT		TOTAL	SCBG	RUS LOAN	RUS GRANT	WDC
1. Construction						
	Contract 1	2,318,370	-	180,000	1,043,000	1,095,370
	Aid to Construction @ K.F.	1,270,812	728,410	1,590	-	540,812
	Work Performed Prior to Award	1,590	1,590	-	-	-
	Contract 4	-	-	-	-	-
2. Technical Services						
	Design	150,400	-	10,200	58,900	81,300
	Engineering during Construction	38,962	-	2,600	15,200	21,162
	Inspection	102,638	-	7,000	40,200	55,438
	Special Services	-	-	-	-	-
	Other Engineering	-	-	-	-	-
3. Legal & Fiscal						
a.	Legal	24,518	-	6,700	9,800	8,018
b.	Accounting	10,000	-	-	-	10,000
4. Administrative						
a.	Region	-	-	-	-	-
b.	City	20,000	20,000	-	-	-
5. Sites & Other Lands		12,500	-	9,300	2,000	1,200
6. Design & Loan Repayment		120,900	-	115,400	2,300	3,200
7. Interim Financing - RUS		140,000	-	140,000	-	-
8. Contingency		169,310	-	21,710	147,600	-
9. Miscellaneous						
a.	Electrical Services	-	-	-	-	-
b.	Highway Permit & Bond	-	-	-	-	-
c.	WVDEP E&S Permits	-	-	-	-	-
10. TOTAL OF LINES 1 THROUGH 9		4,380,000	750,000	494,500	1,319,000	1,816,500
B. SOURCES OF FUNDS						
11.	Federal Grants RUS	1,319,000	-	-	1,319,000	-
12.	State Grants WDC	1,023,000	-	-	-	1,023,000
13.	Other Grants SCBG	750,000	750,000	-	-	-
14.	Any Other Source	-	-	-	-	-
15. TOTAL LINES 11 THROUGH 14		3,092,000	750,000	-	1,319,000	1,023,000
16. Net Proceeds from Bond Issue		1,288,000		494,500	-	793,500
C. COST OF FINANCING						
17. Funded Reserve		-		-	-	-
a.	CWSRF Funded Reserve	-		-	-	-
b.	Other Funded Reserve	-		-	-	-
18. Other Costs						
a.	Registrar Fees			-	-	-
b.	Bond Counsel	12,000		5,500	-	6,500
19. Total Cost of Financing		12,000	-	5,500	-	6,500
20. Size of Bond Issue		1,300,000	-	500,000	-	800,000



Smith, Cochran & Hicks, P.L.L.C.

Certified Public Accountants

Beckley Bridgeport Charleston Montgomery

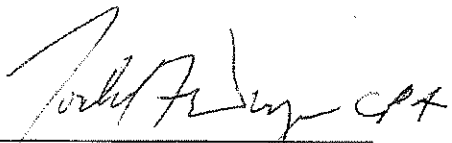
405 Capitol Street • Suite 908 • Charleston, West Virginia 25301 • 304-345-1151 • Fax 304-346-6731

\$500,000
CITY OF SMITHERS
SEWER REVENUE BOND, SERIES 2003 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)
and
\$800,000
CITY OF SMITHERS
SEWER REVENUE BOND, SERIES 2003 B
(WEST VIRGINIA INFRASTRUCTURE FUND)

CERTIFIED PUBLIC ACCOUNTANT'S CERTIFICATE

I, Todd F. Dingess of Smith, Cochran & Hicks, P.L.L.C., a Certified Public Accountant, License No. 2285, Charleston, West Virginia, have reviewed the sewer service rates set forth in the rate ordinance enacted by the City of Smithers (the "City") on May 7, 2002. It is my opinion that the schedule of rates set forth therein are adequate (i) to pay all operating expenses of the System, as defined in the Bond Ordinance, hereinafter described, (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of the principal of and interest, if any, on the Series 2003 A Bonds and the Series 2003 B Bonds (collectively, the "Series 2003 Bonds"), as set forth in the Bond Ordinance enacted by the City Council of the City and effective on October 27, 2003 (the "Bond Ordinance"), and (iii) to comply with the provisions the Loan Agreement entered into between the City and the West Virginia Water Development Authority, acting on behalf of the West Virginia Infrastructure and Jobs Development Council, dated November 6, 2003.

WITNESS my signature as of the 6th day of November, 2003.



Certified Public Accountant

\$500,000
CITY OF SMITHERS
SEWER REVENUE BOND, SERIES 2003 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)
and
\$800,000
CITY OF SMITHERS
SEWER REVENUE BOND, SERIES 2003 B
(WEST VIRGINIA INFRASTRUCTURE FUND)

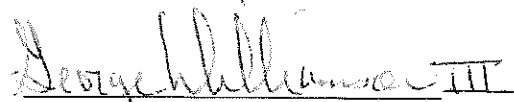
CERTIFICATE OF RECORDER AS TO TRUTH
AND ACCURACY OF DOCUMENTS DELIVERED

I, George Williamson, III, the duly appointed Recorder of the City of Smithers (the "City"), hereby certify that the copies of the following documents being delivered in connection with the closing of the sale of the \$500,000 City of Smithers, Sewer Revenue Bond, Series 2003 A (United States Department of Agriculture) and \$800,000 City of Smithers, Sewer Revenue Bond, Series 2003 B (West Virginia Infrastructure Fund) (collectively, the "Bonds"), are, as of the date hereof, true and accurate copies of the originals of those documents maintained on file with the City and delivered in the transcript of proceedings, and that said documents are still in full force and effect as of the date hereof and have not been repealed, rescinded, superseded, amended or modified in any way unless the document effecting such repeal, rescission, supersedence, amendment or modification is also listed below:

1. Order Creating the City
2. Sanity Board Petition
3. Oaths of Office of the Mayor, Recorder, Members of the City Council (the "Council") and Members of the Sanitary Board
4. Bond Ordinance and Supplemental Resolution (collectively, the "Ordinance")
5. Minutes of September 29, 2003, October 13, 2003 and October 27, 2003 meetings of the Council wherein the Ordinance was considered and approved.
6. Affidavit of Publication of the abstract and notice of public hearing on the Bond Ordinance published in *The Montgomery Herald* and *The Fayette Tribune*.
7. Recommended Decision of the Public Service Commission of West Virginia entered on April 24, 2003, in Case No. 00-1256-PSD-S-CN.
8. Tariff Issued May 7, 2002, Approving Rates.
9. Commitment Letter from the West Virginia Infrastructure and Jobs Development Council dated February 8, 2002.

10. Letter of Conditions from United States Department of Agriculture, Farmers Home Administration (now known as Rural Utilities Service) dated May 18, 1994, as amended by Amendment No. 1 to Letter of Conditions dated January 29, 1998, and as amended by Amendment No. 2 to Letter of Conditions dated November 14, 2002.
11. NPDES Permit.
12. Evidence of Insurance.
13. Grant Letters.

WITNESS my signature and the official seal of the City of Smithers as of the 6th day of November, 2003.


Recorder

(SEAL)

\$500,000
CITY OF SMITHERS
SEWER REVENUE BOND, SERIES 2003 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)
and
\$800,000
CITY OF SMITHERS
SEWER REVENUE BOND, SERIES 2003 B
(WEST VIRGINIA INFRASTRUCTURE FUND)

CERTIFICATE AS TO USE OF PROCEEDS

The undersigned Mayor of the City of Smithers in Fayette County, West Virginia (the "Issuer"), being one of the officials of the Issuer duly charged with the responsibility for the issuance of the \$500,000 Sewer Revenue Bond, Series 2003 A (United States Department of Agriculture) and \$800,000 Sewer Revenue Bond, Series 2003 B (West Virginia Infrastructure Fund), of the Issuer, dated November 6, 2003 (collectively, the "Bonds"), hereby certifies as follows:

1. I am one of the officers of the Issuer duly charged with the responsibility of issuing the Bonds. I am familiar with the facts, circumstances and estimates herein certified and am duly authorized to execute and deliver this certificate on behalf of the Issuer. Capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Ordinance duly enacted by the Issuer on October 27, 2003, and a Supplemental Resolution duly adopted on October 27, 2003 (collectively, the "Bond Ordinance"), authorizing the Bonds.

2. This certificate may be relied upon as the certificate of the Issuer.

3. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on November 6, 2003, the date on which the Bonds are being physically delivered in exchange for initial advances of the principal amounts of the Bonds, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

4. In the Bond Ordinance pursuant to which the Bonds are issued, the Issuer has covenanted that it shall not take, or permit or suffer to be taken, any action with respect to Issuer's use of the proceeds of the Bonds which would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Internal Revenue Code of 1986, as amended, and the temporary and permanent regulations promulgated thereunder or under any predecessor thereto (collectively, the "Code"), issued by the West Virginia Water Development Authority (the "Authority") or the West Virginia Infrastructure and Jobs Development Council (the "Council"), as the case may be, from which the proceeds of the Series 2003 B Bond are derived, to lose their status as tax-exempt bonds. The Issuer hereby covenants to take all actions necessary to comply with such covenant.

5. The Series 2003 A Bond was sold on November 6, 2003, to the United States of America, United States Department of Agriculture, Rural Utilities Service (the "Government"), for an aggregate purchase price of \$500,000 (100% of par), at which time, the Issuer received \$216,655.77 from the Government, being the first advance of the principal amount of the Series 2003 A Bond. The Series 2003 B Bond was sold on November 6, 2003, to the Authority, pursuant to a Loan Agreement dated November 6, 2003, by and between the Issuer and the Authority, on behalf of the Council, for an aggregate purchase price of \$800,000 (100% of par), at which time, the Issuer received \$104,640.00 from the Authority and the Council, being the first advance of the principal amount of the Series 2003 B Bond. No accrued interest has been or will be paid on the Bonds. The balance of the respective principal amounts of the Bonds will be advanced to the Issuer as acquisition and construction of the Project progresses.

6. The Series 2003 A Bond is being delivered simultaneously with the delivery of this certificate and is issued for the purposes of (i) paying in full the Issuer's Sewer Revenue Bond, Series 1965, and a portion of the Step 1 loan; (ii) paying a portion of the costs of acquisition, construction and equipping certain additions, betterments, improvements and extensions to the public sewer system of the Issuer (the "Project"); and (iii) paying certain costs of issuance of the Series 2003 A Bond and related costs. The Series 2003 B Bond is being delivered simultaneously with the delivery of this certificate and is issued for the purposes of (i) paying in full the balance of the Issuer's Step I loan; (ii) paying a portion of the costs of acquisition, construction and equipping certain additions, betterments, improvements and extensions to the Project; and (iii) paying certain costs of issuance of the Series 2003 B Bond and related costs.

7. The Issuer shall, on the date hereof or immediately hereafter, enter into agreements which require the Issuer to expend at least 5% of the net sale proceeds of the Bonds for the construction of the Project, constituting a substantial binding commitment, or has already done so. The construction of the Project and the allocation of the net sale proceeds of the Bonds to expenditures for costs of the Project shall commence immediately and shall proceed with due diligence to completion, and all of the proceeds from the sale of the Bonds, together with any investment earnings thereon, will be expended for payment of costs of the Project on or before December 31, 2004. The construction of the Project is expected to be completed by December 31, 2004.

8. The total cost of the Project is estimated at \$4,392,000. Sources and uses of funds for the Project are as follows:

<u>SOURCES</u>	
Small Cities Black Grant	\$ 750,000.00
RUS Grant	1,319,000.00
RUS Loan	500,000.00
IJDC Grant	1,023,000.00
IJDC Loan	800,000.00
Total Sources	<u>\$4,392,000.00</u>

USES

Acquisition, Construction and Equipping	\$3,590,772.00
Engineering Costs	292,000.00
Accounting Fees	10,000.00
Legal/ROWs	37,018.00
Costs of Issuance	12,500.00
Defeasance of 1965 Bonds	114,951.92
Payment of Step I Loan	5,943.85
Administrative	20,000.00
Interest on RUS Loan	140,000.00
Project Contingency	168,814.23
Total Uses	<u>\$4,392,000.00</u>

9. Pursuant to Article V of the Bond Ordinance, the following special funds have been created or continued for the Bonds:

- (1) Revenue Fund;
- (2) Renewal and Replacement Fund;
- (3) Series 2003 Bonds Construction Trust Fund;
- (4) Series 2003 A Bonds Reserve Account;
- (5) Series 2003 B Bonds Sinking Fund; and
- (6) Series 2003 B Bonds Reserve Account.

10. Pursuant to the Supplemental Resolution, a portion of the proceeds of the Series 2003 A Bond in the amount of \$114,951.92 shall be used to pay the Series 1965 Bonds, and proceeds of the Series 2003 A Bond in the amount of \$2,743.85 and the Series 2003 B Bond in the amount of \$3,200.00 to pay the total amount of the Step 1 Loan. The remaining proceeds of the Bonds will be deposited in the Series 2003 Bonds Construction Trust Fund and applied solely to payment of costs of the Project, including costs of issuance of the Bonds and related costs, and for no other purpose.

Prior to expenditure, the proceeds of the Bonds in the Series 2003 Bonds Construction Trust Fund will be invested at a yield not to exceed the yield on the Council's bonds, the proceeds of which were used to make the loan to the Issuer.

11. Moneys held in the Sinking Funds will be used solely to pay principal of and interest, if any, on the Bonds and will not be available to meet costs of construction of the Project.

12. The construction of the Project will proceed with due diligence to completion. The construction of the Project is expected to be completed within 13 months of the date hereof. All proceeds of the Bonds will be expended on the Project within 13 months from the date of issuance thereof.

13. The Issuer will take such steps as requested by the Authority to ensure that the Authority's bonds meet the requirements of the Code.

14. The Issuer does not expect to sell or otherwise dispose of the Project in whole or in part prior to the last maturity date of the Bonds.

15. The amount designated as costs of issuance of the Bonds consists only of costs that are directly related to and necessary for the issuance of the Bonds.

16. All property financed with the proceeds of the Bonds will be owned and held by (or on behalf of) a qualified governmental unit.

17. No proceeds of the Bonds will be used, directly or indirectly, in any trade or business carried on by any person who is not a governmental unit.

18. The original proceeds of the Bonds will not exceed the amount necessary for the purposes of the issue. The Issuer covenants that it shall maintain thorough and accurate accounting records, in conformance with generally accepted accounting principles, relative to the proceeds of the Bonds so that use of proceeds from the Bonds can be accounted for.

19. The Issuer shall use the Bonds proceeds solely for the costs of the Project, and the Project will be operated solely for a public purpose as a local governmental activity of the Issuer.

20. The Bonds are not federally guaranteed.

21. The Issuer has retained the right to amend the Bond Ordinance authorizing the issuance of the Bonds if such amendment is necessary to assure that the Bonds remain governmental or public purpose bonds.

22. There are no other obligations of the Issuer which (a) are to be issued at substantially the same time as the Bonds, (b) are to be sold pursuant to a common plan of financing together with the Bonds and (c) will be paid out of substantially the same sources of funds or will have substantially the same claim to be paid out of substantially the same sources of funds as the Bonds.

23. To the best of my knowledge, information and belief, there are no other facts, estimates and circumstances that would materially change the expectations herein expressed.

24. The Issuer will comply with instructions as may be provided by the Authority, at any time, regarding use and investment of proceeds of the Bonds, rebates and rebate calculations.

25. To the best of my knowledge, information and belief, the foregoing expectations are reasonable.

WITNESS my signature as of this 6th day of November, 2003.

CITY OF SMITHERS

By: Martha Chick
Mayor

CERTIFICATE OF DEFEASANCE OF BONDS

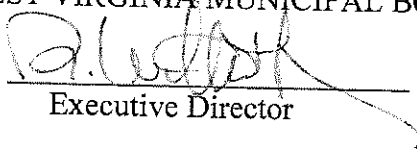
I, R. Witter Hallan, Executive Director of the West Virginia Municipal Bond Commission (the "Commission"), hereby certify that on November 6, 2003, the Commission received proceeds sufficient to defease all remaining debt service on the \$310,000 City of Smithers, Sewer Revenue Bonds, Series 1965, dated April 1, 1965, (the "Bonds"), of which \$107,000 in aggregate principal amount is currently outstanding. The total amount received was \$114,951.92, which together with \$12,434.00 already on deposit with the Commission, totals \$127,385.92 and constitutes the amount necessary to defease the Bonds.

Accordingly, the Commission certifies as follows:

- (1) The Bonds issued by the City of Smithers on April 1, 1965, have been defeased;
and
- (2) The obligations of the City of Smithers under the Bond Ordinance enacted May 10, 1965, have been satisfied in full.

Given under my hand as of the 6th day of November, 2003.

WEST VIRGINIA MUNICIPAL BOND COMMISSION

By: 
Executive Director

CITY OF SMITHERS
SEWER REVENUE BONDS,
SERIES 2003A (UNITED STATES DEPARTMENT OF AGRICULTURE)
and
SERIES 2003B (WEST VIRGINIA INFRASTRUCTURE FUND)

RECEIPT OF PAYMENT OF STEP I LOAN

The undersigned duly authorized representative of the West Virginia Water Development Authority, the owner of the Step I Loan (the "Loan"), of the City of Smithers (the "Issuer"), dated May 2, 1977, in the original aggregate principal amount of \$5,885, bearing a service charge of \$58.85, hereby certifies that it has received the sum of \$5,943.85 from the Issuer and that such sum is sufficient to pay the entire outstanding principal amount of the Loan and the service charge thereon to the date hereof and discharge the liens, pledges and encumbrances securing the Loan.

Dated this 6th day of November, 2002.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

By: *Barbara B Meadows*
Authorized Representative

WV MUNICIPAL BOND COMMISSION
8 Capitol Street, Suite 500
Charleston, WV 25301
(304) 558-3971

NEW ISSUE REPORT FORM
Date of Report: November 6, 2003

ISSUE: City of Smithers, Sewer Revenue Bond,
Series 2003 A (United States Department of Agriculture)
ADDRESS: 175 Michigan Avenue
Smithers, WV 25186 COUNTY: Fayette
PURPOSE: New Money X
OF ISSUE: Refunding X Refunds issue dated: April 1, 1965
ISSUE DATE: November 6, 2003 CLOSING DATE: November 6, 2003
ISSUE AMOUNT: \$500,000 RATE: 4.5%
1ST DEBT SERVICE DUE: 12/6/03 1ST PRINCIPAL DUE: 12/6/05
1ST DEBT SERVICE AMOUNT: \$ _____ * PAYING AGENT: Municipal
Bond Commission**

BOND COUNSEL: Goodwin & Goodwin, LLP LENDER: Rural Utilities Service
Contact Person: W.K. Bragg, Jr. Contact Person: Rose Mary Christian
Phone 346-7000 Phone: (304) 252-8644

KNOWLEDGEABLE ISSUER CONTACT:

Contact Person: Martha Click
Position: Mayor
Phone: (304) 442-5282

-----DEPOSITS TO MBC AT CLOSE:-----

--
____ Accrued Interest: \$ _____ 0
____ Capitalized Interest: \$ _____ 0
By X Wire ____ Reserve Account: \$ _____ 0 Series 2003 A Reserve Account to be held by MBC
____ Check X Other: Payment of 1965 Bond: \$114,951.92
-----REFUNDS & TRANSFERS BY MBC AT CLOSE:-----

--
By ____ Wire ____ To Escrow Trustee: \$ _____ N/A
____ Check ____ To Issuer: \$ _____ N/A
____ To Cons. Invest. Fund: \$ _____ N/A
X IGT X Other: From 1965 Bond accounts to repay 1965 Bond: \$12,434.00

Notes: * Subject to actual amount advanced at closing.
** Only if Lender no longer owns the Bond.

FOR MUNICIPAL BOND COMMISSION USE ONLY:

DOCUMENTS

REQUIRED: _____

TRANSFERS

REQUIRED: _____

\$500,000
CITY OF SMITHERS
SEWER REVENUE BOND, SERIES 2003 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)
and
\$800,000
CITY OF SMITHERS
SEWER REVENUE BOND, SERIES 2003 B
(WEST VIRGINIA INFRASTRUCTURE FUND)

ACCEPTANCE OF APPOINTMENT OF DEPOSITORY BANK

United Bank, Inc., at its office located in Smithers, Fayette County, West Virginia, hereby accepts appointment as Depository Bank in connection with an Ordinance of City of Smithers (the "City") duly enacted by the City Council of the District (the "Board") and effective on October 27, 2003 (the "Ordinance"), authorizing issuance of City of Smithers, Sewer Revenue Bond, Series 2003 A (United States Department of Agriculture) and City of Smithers, Sewer Revenue Bond, Series 2003 B (West Virginia Infrastructure Fund), dated November 6, 2003, in the aggregate principal amounts of \$500,000 and \$800,000, respectively, and agrees to perform all duties of Depository Bank as set forth in the Ordinance.

Witness my signature as of the 6th day of November, 2003.

UNITED BANK, INC.

By: Betty Giverson
Branch Manager

\$500,000
CITY OF SMITHERS
SEWER REVENUE BOND, SERIES 2003 A
(UNITED STATES DEPARTMENT OF AGRICULTURE)
and
\$800,000
CITY OF SMITHERS
SEWER REVENUE BOND, SERIES 2003 B
(WEST VIRGINIA INFRASTRUCTURE FUND)

ACCEPTANCE OF DUTIES AS REGISTRAR OF SERIES 2003 B BONDS

United Bank, Inc., at its office located in Charleston, Kanawha County, West Virginia, hereby accepts appointment as Depository Bank in connection with an Ordinance of City of Smithers (the "City") duly enacted by the City Council of the District (the "Board") and effective on October 27, 2003 (the "Ordinance"), authorizing issuance of City of Smithers, Sewer Revenue Bond, Series 2003 A (United States Department of Agriculture) and City of Smithers, Sewer Revenue Bond, Series 2003 B (West Virginia Infrastructure Fund), dated November 6, 2003, in the aggregate principal amounts of \$500,000 and \$800,000, respectively, and agrees to perform all duties of Registrar as set forth in the Ordinance.

Witness my signature as of the 6th day of November, 2003.

UNITED BANK, INC.

By: _____

K. J. Smith
Vice President

\$800,000
CITY OF SMITHERS
SEWER REVENUE BOND, SERIES 2003 B
(WEST VIRGINIA INFRASTRUCTURE FUND)

CERTIFICATE OF REGISTRATION OF SERIES 2003 B BOND

I, Kathy Smith, as Vice President, of United Bank, Inc., Charleston, West Virginia, as Registrar (the "Registrar"), under a Registrar's Agreement between the Registrar and the City of Smithers (the "City") dated as of the date hereof, hereby certify that on the 6th day of November, 2003, the Bond of the District in the principal amount of \$800,000 designated "City of Smithers, Sewer Revenue Bond, Series 2003 B (West Virginia Infrastructure Fund)", and numbered BR-1, dated as of the date hereof, was registered as to principal only in the name of "West Virginia Water Development Authority" on the books of the Registrar kept for that purpose at our office, by a duly authorized officer on behalf of the Registrar.

WITNESS my signature as of the 6th day of November, 2003.

UNITED BANK, INC., as Registrar

By: _____

Vice President

\$800,000
CITY OF SMITHERS
SEWER REVENUE BOND, SERIES 2003 B
(WEST VIRGINIA INFRASTRUCTURE FUND)

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 6th day of November, 2003, by and between CITY OF SMITHERS, a municipality, public corporation and political subdivision duly created under the laws of the State of West Virginia (the "Issuer"), and UNITED BANK, INC., at its office located in Charleston, West Virginia (the "Registrar").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its \$800,000 aggregate principal amount of Sewer Revenue Bond, Series 2003 B (West Virginia Infrastructure Fund), in fully registered form (the "Bond"), pursuant to an Ordinance enacted and a Supplemental Resolution adopted by the Issuer and effective on October 27, 2003 (collectively, the "Ordinance");

WHEREAS, capitalized words and terms used in this Registrar's Agreement and not otherwise defined herein shall have the respective meanings given them in the Ordinance, a copy of which is attached as Exhibit A hereto and incorporated herein by reference;

WHEREAS, the Ordinance provides for the appointment by the Issuer of a Registrar for the Bond; and

WHEREAS, the Issuer desires to appoint, and by the Ordinance and this Registrar's Agreement does appoint, the Registrar to act as Registrar under the Ordinance and to take certain other actions hereinafter set forth.

NOW, THEREFORE, it is agreed by and between the parties hereto as follows:

1. Upon the execution of this Registrar's Agreement by the Issuer and the Registrar and during the term hereof, the Registrar does accept and shall have and carry out the powers and duties of the Paying Agent and Registrar, all as set forth in the Ordinance, such duties including, among other things, the duties to authenticate, register and deliver the Bond upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the exemption of interest on the Bond from federal income taxation, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Issuer advises it of and with generally accepted industry standards.

2. The Registrar agrees to furnish the Issuer with appropriate records of all transactions carried out by it as Paying Agent and Registrar and to furnish the Issuer with the names and specimen signatures of the Registrar's authorized officers for the purposes of acting as the Registrar and with such other information and reports as the Issuer may from time to time reasonably require.

3. The Registrar shall have no responsibility or liability for any action taken by it at the specific direction of the Issuer.

4. As compensation for acting as Registrar pursuant to this Registrar's Agreement, the Issuer hereby agrees to pay to the Registrar, from time to time, reasonable compensation for services rendered and reimbursement for reasonable expenses incurred in connection therewith.

5. It is intended that this Registrar's Agreement shall carry out and implement the provisions of the Ordinance with respect to the Registrar. In the event of any conflict between the terms of this Registrar's Agreement and the Ordinance, the terms of the Ordinance shall govern.

6. The Issuer and the Registrar each warrants and represents that it is duly authorized and empowered to execute and enter into this Registrar's Agreement and that neither such execution nor the performance of its duties hereunder or under the Ordinance will violate any order, decree or agreement to which it is a party or by which it is bound.

7. This Registrar's Agreement may be terminated by either party upon sixty (60) days' written notice sent by registered or certified mail to the other party, at the following respective addresses:

ISSUER: City of Smithers
 Attention: Mayor
 175 Michigan Avenue
 Smithers, WV 25186

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

8. The Registrar is hereby requested and authorized to authenticate and deliver the Bond in accordance with the Ordinance and instructions provided by the Issuer and the Purchaser thereof.

IN WITNESS WHEREOF, CITY OF SMITHERS and UNITED BANK, INC. have caused this Registrar's Agreement to be signed in their names and on their behalf, all as of the day, month and year first above-written.

CITY OF SMITHERS

By: Martha C. Smith
Mayor

UNITED BANK, INC.

By: K. J. Smith
Vice President