

**TOWN OF NORTH HILLS, WEST VIRGINIA
SEWER REVENUE BOND
SERIES 2004**

TOWN OF NORTH HILLS
ORDINANCE AUTHORIZING THE ISSUANCE
OF \$1,255,000 OF
SEWER REVENUE BONDS
SERIES 2004

1182431 (February 18, 2004)
Ordinance

**TOWN OF NORTH HILLS
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OF SEWER REVENUE BONDS, SERIES 2004**

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**TOWN OF NORTH HILLS
ORDINANCE AUTHORIZING THE ISSUANCE OF \$1,255,000
OF SEWER REVENUE BONDS
SERIES 2004**

ORDINANCE AUTHORIZING THE ACQUISITION, CONSTRUCTION AND IMPROVEMENT OF PUBLIC SEWERAGE FACILITIES OF THE TOWN OF NORTH HILLS AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE OF SEWER REVENUE BONDS, SERIES 2004, OF THE TOWN OF NORTH HILLS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$1,255,000; DEFINING AND PRESCRIBING THE TERMS AND PROVISIONS OF THE BONDS; PROVIDING GENERALLY FOR THE RIGHTS AND REMEDIES AND SECURITY OF THE HOLDERS OF THE BONDS; AND PROVIDING WHEN THIS ORDINANCE SHALL TAKE EFFECT

BE IT ORDAINED BY THE COMMON COUNCIL OF THE TOWN OF NORTH HILLS:

ARTICLE I
STATUTORY AUTHORITY, FINDINGS
AND DEFINITIONS

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

Section 1.02. Definitions. All capitalized terms used in the Bond Legislation and not otherwise defined herein shall have the following meanings unless the context otherwise expressly requires:

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

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

"Bank" means United Bank, Inc., Parkersburg, West Virginia , a member of the FDIC.

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

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

"Bonds" mean the Original Bonds authorized hereby, and any bonds on a parity therewith authorized to be issued hereunder.

"Construction Account" means the Town of North Hills Construction Account established by Section 4.01 hereof.

"Consulting Engineer" means Cerrone Associates, Inc., Wheeling, West Virginia, or any qualified engineer or firm of engineers which at any time hereafter may be retained by the Issuer as Consulting Engineer for the System.

"Costs" or "Costs of the Project" means those costs described in Section 1.03(E) hereof to be a part of the cost of construction and acquisition of the Project.

"FDIC" means the Federal Deposit Insurance Corporation.

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

“Governing Body” means the Council of the Issuer.

“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.

“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).

“Herein” means in this Ordinance.

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

“Issuer” means Town of North Hills, Wood County, West Virginia, and, unless the context clearly indicates otherwise includes the Governing Body, the Sanitary Board and any commission, board or department established by the Issuer to operate and maintain the System.

“Mayor” means the Mayor of the Issuer.

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

“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 fiscal agents and the Registrar (as hereinafter defined), other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that “Operating Expenses” does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

“Original Bonds” means the \$1,255,000 Sewer Revenue Bonds, Series 2004 authorized hereby.

“Outstanding,” when used with reference to Bonds as of any particular date, describes all Bonds theretofore and thereupon being executed and delivered except (i) any Bond

canceled by the 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); and (iii) for purposes of consents or other action by a specified percentage of Bondholders, Bonds registered to the Issuer.

“Parity Bonds” means additional Bonds issued under the provisions and within the limitations described by Section 5.09 hereof.

“Project” shall have the meaning stated in Section 1.03(B).

“Project Costs” means all those costs set out in Section 1.03(E) hereof.

“Purchaser” means United States of America and any successor thereof, as the holder of the Original 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) 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" from Moody's Investors Service, Inc. or Standard & Poor's Corporation; and

(I) 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.

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

"Registrar" means the Recording Officer or such other person or entity designated by the Issuer as Registrar herein or by subsequent Ordinance or Resolution.

"Revenue Fund" shall mean the Sewer Revenue Fund established in Section 4.02(A) herein.

"Series 2004 Bonds Reserve Account" means the Series 2004 Bonds Reserve Account created and established by Section 4.02(B) hereof.

"Series 2004 Bonds Reserve Requirement" means the maximum amount of principal and interest which will come due on the Original Bonds in the then current or any fiscal year thereafter.

"System" means the public service properties for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes, owned by the Issuer, and any improvements or extensions thereof, both within and without the Issuer.

Words importing the singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

Section 1.03. Findings and Determinations. It is hereby found, determined and declared as follows:

(A) The Town of North Hills (the "Issuer"), a municipal corporation of the State of West Virginia in Wood County of said State, desires to establish a sewerage system for the benefits of the inhabitants of the Issuer and the Issuer has established its Sanitary Board for

such purpose by Ordinance enacted April 15, 2003, and said Sanitary Board has petitioned to the Council of the Issuer that the Project, as hereinafter defined, be acquired and constructed as herein provided. The inhabitants of the Issuer and surrounding area to be served by the Project urgently require that the Project be acquired, constructed and improved as herein provided in order that adequate provision may be made for the sanitary disposal and treatment of sewage and waste water.

(B) It is deemed essential, convenient and desirable for the health, welfare, safety, advantage and convenience of the inhabitants of North Hills that there be acquired from the North Hills Service Company, Inc. the sewerage facilities currently owned and operated by the North Hills Service Company, Inc. and providing sewer service to the inhabitants of Issuer, together with all appurtenant facilities (collectively, the "Project") and, accordingly, it is hereby ordered that the Project be acquired, constructed and improved as more particularly described in and according to the plans and specifications prepared by the Consulting Engineer and heretofore filed with the Recording Officer of the Issuer. The acquisition and construction of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

(C) It is necessary for the Issuer to issue its Sewer Revenue Bonds, Series 2004 (the "Original Bonds") in the principal amount of \$1,255,000 to finance a portion of the costs of such Project in the manner hereinafter provided.

(D) The estimated maximum cost of the acquisition and construction of the Project is \$1,255,000, which will be obtained from the proceeds of the sale of the Original Bonds herein authorized.

(E) The cost of such acquisition and construction shall be deemed to include, without being limited to, the acquisition of the existing sewerage collection and treatment system from the North Hills Service Company, Inc., the construction of the Project; the acquisition of any necessary property, real or personal, or interest therein; interest on the Original Bonds or any note, bond, construction loan, or other indebtedness of the Issuer issued to provide interim financing of the Project in anticipation of the issuance of the Original Bonds prior to, during and for six months after completion of such construction; engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; and such other expenses as may be necessary or incidental to the acquisition and construction of the Project and the financing authorized hereby.

(F) The period of usefulness of the Project is not less than forty years.

(G) There are no outstanding obligations of the Issuer which will rank on a parity with the Original Bonds as to liens and source of and security for payment.

(H) The Issuer has complied with all requirements of the law of West Virginia relating to authorization of the acquisition, construction and operation of the Project and issuance of the Original Bonds, or will have so complied prior to issuance of the Original Bonds including, among other things, obtaining a certificate of convenience and necessity for the

Project from the Public Service Commission of West Virginia by final order, the time for a rehearing and appeal of which shall have been waived or shall have expired. The rates, charges and rules as provided by Article VI hereof shall be in full force and effect.

(I) The Sanitary Board of the Issuer has presented a petition to the Issuer for enactment of this Bond Legislation.

(J) The Purchaser is expected by the Issuer to purchase the entire principal amount of the Original Bonds.

(K) The estimated revenues to be derived in each year after the enactment hereof from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of said System, the principal of and interest on the Original Bonds, and all Sinking Fund, Reserve Account and other payments provided for herein.

Section 1.04. Bond Legislation to Constitute Contract. In consideration of the acceptance of the Original Bonds by the Purchaser, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and the Purchaser, and the covenants and agreements set forth herein to be performed by the Issuer shall be for the benefit, protection and security of the Purchaser as holder of the Original Bonds.

ARTICLE II
AUTHORIZATION, TERMS, EXECUTION,
REGISTRATION AND ISSUE OF BONDS

Section 2.01. Authorization of Bonds. Subject and pursuant to the provisions hereof, the Bond of the Issuer, to be known as "Sewer Revenue Bonds, Series 2004," are hereby authorized to be issued in the principal amount of \$1,255,000, for the purpose of financing in whole or in part the costs of the acquisition and construction of the Project.

Section 2.02. Description of Bonds. The Original Bonds shall be issued initially in single form, No. R-1, fully registered to the United States of America and shall be dated on the date of delivery. The Original Bonds shall bear interest from date, payable monthly at the rate of 4.625% per annum, and shall be sold at the par value thereof. The Original Bonds shall be subject to prepayment of scheduled monthly installments, or any portion thereof, at the option of the Issuer, and shall be payable as provided in the bond form hereinafter set forth.

Section 2.03. Negotiability, Registration, Transfer and Exchange of Bonds. The Bonds shall be and have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but the Bonds, and the right to the principal of, and stated interest on, the Bonds, may only be transferred by transfer of the registration thereof upon the books required to be kept pursuant to Section 2.04 hereof, by the party in whose name it is registered, in person or by attorney duly authorized in writing, upon surrender of the Bonds for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Registrar.

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

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

Section 2.04. Registrar. The Recording Officer of the Issuer will keep or cause to be kept at the office of the Issuer, sufficient books for the registration and transfer of the Bonds, and, upon presentation for such purpose, the Recording Officer shall register the Bonds initially issued pursuant hereto and register the transfer, or cause to be registered, on such books, the transfer of the Bond as hereinbefore provided.

Section 2.05. Execution of Bond. The Bonds shall be executed in the name of the Issuer by the Mayor and its corporate seal shall be affixed thereto and attested by the Recording Officer.

Section 2.06. Mutilated, Destroyed, Stolen or Lost Bond. In case any Bond shall become mutilated, destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the holder of the Bond furnishing the Issuer proof of his ownership thereof and complying with such other reasonable regulations and conditions as the Issuer may require. The Bond so surrendered shall be canceled and held for the account of the Issuer. If the Bond shall have matured or be about to mature, instead of issuing a substitute Bond the Issuer may pay the same, and, if such bond be destroyed, stolen or lost, without surrender thereof.

Section 2.07. Bonds not to be Indebtedness of the Members of the Governing Body or the Sanitary Board of the Issuer. The Bonds shall not be or constitute an indebtedness of the Members of the Governing Body or the Sanitary Board of the Issuer but shall be payable solely from the Net Revenues and from funds in the Series 2004 Bonds Reserve Account and the respective reserve accounts for subsequent series of Bonds.

Section 2.08. Bonds Secured by Pledge of Net Revenues, Funds and Unexpended Bond Proceeds. Payment of the Bonds shall be secured forthwith by a first lien on the Net Revenues derived from the System and the funds on deposit in the Series 2004 Bonds Reserve Account and the respective reserve accounts for subsequent series of Bonds. The Net Revenues derived from the System in an amount sufficient to pay the principal of and interest on the Bonds, and to make the payments as hereinafter provided, together with the funds on deposit in the Series 2004 Bonds Reserve Account and the respective reserve accounts for subsequent series of Bonds and the unexpended proceeds of the Bond are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as the same become due.

Section 2.09. Form of Bond. Subject to the provisions hereof, the text of the Original Bonds and the other details thereof shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted hereby or by any resolution adopted after the date of adoption hereof and prior to the issuance thereof:

(Form of Bond)

**TOWN OF NORTH HILLS
SEWER REVENUE BOND**

\$1,255,000

No. R-1

Date: _____, 2004

THE TOWN OF NORTH HILLS (the "Issuer"), for value received, promises to pay to the order of the United States of America (the "Purchaser"), or its registered assigns, at its National Finance Office, St. Louis, Missouri, 63103, or at such other place as the Purchaser may hereafter designate in writing, the principal sum of \$1,255,000, plus interest on the unpaid principal balance at the rate of four and 625/100th per cent (4.625%) per annum. The said principal and interest shall be paid in the following installments on the following dates: Installments of interest only commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof and \$5,861.00, 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, 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 hereof is not advanced at the time of closing, the proceeds hereof shall be advanced to Issuer as requested by Issuer and approved by the Purchaser 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 hereon 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 the Issuer. Refunds and extra payments, as defined in the regulations of the Purchaser according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of Issuer to pay the remaining installments as scheduled herein.

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

While this Bond is held by an insured lender, prepayments made by Issuer may, at the option of the Purchaser, be remitted by the Purchaser to the Holder promptly or, except for final payment, be retained by the Purchaser and remitted to the Holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Issuer, except payments retained and remitted by the Purchaser on an annual installment due date basis, shall be the date of the United States Treasury check by which the Purchaser remits the payment to the Holder. The effective date of any prepayment retained and remitted by the

Purchaser to the Holder on an annual installment due date basis shall be the date of the prepayment by Issuer and the Purchaser 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 Purchaser 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 Purchaser shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Issuer to the Purchaser without demand. Issuer agrees to use the loan evidenced hereby solely for purposes authorized by the Purchaser.

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

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

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of the Recorder of the Issuer, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Ordinance hereinafter described, 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 hereinafter defined, 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 Recorder of the Issuer.

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 Code of West Virginia of 1931, as amended (herein called the "Act") and Ordinance of the Issuer duly enacted on _____, 2004.

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

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

THE TOWN OF NORTH HILLS

[CORPORATE SEAL]

By: _____
Mayor

Attest:

Recorder

RECORD OF ADVANCES

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

(No writing on this Bond except by the Issuer as Registrar)

Date of
Registration

_____, 2004

In Whose Name
Registered

United States of America
Post Office Box 678
Morgantown, West Virginia 26505

Signature of
Recorder or Registrar

ASSIGNMENT

Pay to the Order of

UNITED STATES OF AMERICA

By _____

By: _____

(Title)

**ARTICLE III
[RESERVED]**

ARTICLE IV
BOND PROCEEDS; REVENUES
AND APPLICATION THEREOF

Section 4.01. Bond Proceeds; Project Construction Account. The proceeds of the sale of the Bonds shall be deposited on receipt by the Issuer in the Bank, in a special account hereby created and designated "Town of North Hills Project Construction Account". The moneys in the Construction Account in excess of the amount insured by FDIC shall be secured at all times by the Bank by securities or in a manner lawful for the securing of deposits of state and municipal funds under West Virginia law. Moneys in the Construction Account shall be expended by the Issuer solely for the purposes provided herein.

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

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

If the Issuer shall determine at any time that all funds on deposit in the Construction Account exceed the estimated disbursements on account of the Project for the ensuing ninety (90) days, the Issuer may invest such excess funds in Government Obligations which shall mature not later than eighteen (18) months after the date of such investment. All such investments and the income therefrom shall be carried to the credit of the Construction Account.

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

Section 4.02. Covenants of the Issuer as to Revenues and Funds. As long as any Bond shall be outstanding and unpaid, or until there shall have been set apart in the Series 2004 Bonds Reserve Account hereinafter established or corresponding reserve accounts for subsequent series of Bonds, a sum sufficient to pay, when due or at the earliest practical prepayment date, the entire principal of all Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer further covenants with the holder of any and all Bonds as follows:

(A) Revenue Fund. The entire Gross Revenues, and all parts thereof, including without limitation all tap fees received, shall be deposited as collected by the Issuer in the Town of North Hills Sewer Revenue Fund which is hereby established with the Bank. The Revenue Fund shall constitute a trust fund for the purposes provided herein and shall be kept separate and apart from all other funds of the Issuer and used only for the purposes and in the manner provided herein. The holders of the Bonds shall have a lien on and a pledge, hereby

granted, of all Net Revenues of the System, as herein provided, and as granted and created by the Act, as long as the Bonds remain unpaid.

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

(1) The Issuer shall first each month transfer from the Revenue Fund and pay into the Town of North Hills Operation and Maintenance Fund, which is hereby established with the Bank, such sum as the Issuer may determine, in accordance with its budget, to be necessary to pay all current Operating Expenses.

(2) The Issuer shall next, by the fifteenth day of each month, transfer from the Revenue Fund and pay to the National Finance Office designated in the Original Bonds the amount required to pay the interest on the Original Bonds, and to amortize the principal of the Original Bonds over the term of the Bond as provided in the Bond.

(3) The Issuer shall next, by the fifteenth day of each month beginning with and including the month in which the first principal installment is due upon the Original Bonds, transfer from the Revenue Fund and deposit in the Series 2004 Bonds Reserve Account, which is hereby established with the West Virginia Municipal Bond Commission, one-twelfth of one-tenth of the Series 2004 Bonds Reserve Requirement until the amount in the Series 2004 Bonds Reserve Account is equal to the Series 2004 Bonds Reserve Requirement. After the Series 2004 Bonds Reserve Requirement has been accumulated in the Series 2004 Bonds Reserve Account, the Issuer shall deposit monthly into the Series 2004 Bonds Reserve Account, such part of the moneys remaining in the Revenue Fund, after such provision for payment of monthly installments on the Bonds and for payment of Operating Expenses of the System, as shall be required to maintain the Series 2004 Bonds Reserve Requirement. Moneys in the Series 2004 Bonds Reserve Account shall be used solely to make up any deficiency for monthly installments required to be paid on the Original Bonds as the same shall become due, for prepayment of installments on the Original Bonds or for mandatory prepayment of the Original Bonds as provided herein, and for no other purpose.

(4) 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 or for any lawful purpose.

Whenever the money in the Series 2004 Bonds Reserve Account shall be sufficient to prepay the Original Bonds in full, it shall be the mandatory duty of the Issuer, anything to the contrary herein notwithstanding, to prepay the Original Bonds at the earliest practical date and in accordance with applicable provisions hereof.

The West Virginia Municipal Bond Commission (and any successor appointed by the Issuer) is hereby designated as Fiscal Agent for the administration of the Series 2004 Bonds Reserve Account as herein provided, and all amounts required therefor will be deposited by the

Issuer upon transfers of funds from the Revenue Fund at the times provided herein, together with written advice stating the amount remitted for deposit into each such fund.

All the funds provided for in this Section shall constitute trust funds and shall be used solely for the purposes and in the order provided herein, and until so used, the Purchaser shall have a lien thereon for further securing payment of the Original Bonds and the interest thereon. The moneys in excess of the sum insured by FDIC in any of such funds shall at all times be secured, to the full extent thereof in excess of such insured sum, in a manner lawful for securing deposits of state and municipal funds under the laws of the State of West Virginia. The Bank and the West Virginia Municipal Bond Commission shall not be a trustee as to such funds.

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

The Fiscal Agent shall keep the moneys in the Series 2004 Bonds Reserve Account invested and reinvested to the fullest extent practicable in direct obligations of, or obligations the payment of the principal of and interest on which are guaranteed by, the United States of America. Earnings upon moneys in the Series 2004 Bonds Reserve Account, as long as the Series 2004 Bonds Reserve Requirement is on deposit and maintained therein, shall be paid annually in January to the Issuer by the West Virginia Municipal Bond Commission and deposited by the Issuer upon receipt into the Revenue Fund.

(C) Change of Fiscal Agent. The Issuer may designate a bank insured by FDIC as Fiscal Agent for the administration of the Series 2004 Bonds Reserve Account if the West Virginia Municipal Bond Commission should cease for any reason to serve or if the Governing Body determines by resolution and with the written consent of the Purchaser that the West Virginia Municipal Bond Commission or its successor should no longer serve as Fiscal Agent for the Series 2004 Bonds Reserve Account. Upon any such change, the Governing Body will cause notice of the change to be sent by registered or certified mail to the Purchaser.

(D) User Contracts. The Issuer hereby certifies that there will be not less than 339 bona fide users serviced by the System.

ARTICLE V GENERAL COVENANTS

Section 5.01. General Statement. As long as any Bond shall be outstanding and unpaid, or until there shall have been set apart in the Series 2004 Bonds Reserve Account or corresponding reserve accounts for subsequent series of Bonds, a sum sufficient to prepay the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon to the date of prepayment, the covenants and agreements contained herein shall be and constitute valid and legally binding covenants between the Issuer and the Purchaser.

Section 5.02. Bonds not to be Indebtedness of the Issuer. The Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Ordinance. No holder or holders of any Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Bonds or the interest thereon.

Section 5.03. Rates. The Issuer will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide revenues in each fiscal year sufficient to produce Net Revenues equal to not less than 110% of the annual debt service on the Bonds and to make the payments required herein into the Series 2004 Bonds Reserve Account and all the necessary expenses of operating and maintaining the System during such fiscal year, and such rates, fees and other charges shall not be reduced so as to be insufficient to provide adequate revenues for such purposes.

Section 5.04. Authorizations. The Issuer has complied with all requirements of West Virginia law relating to authorization of the construction, acquisition and operation of the Project and issuance of the Original Bonds, or will have so complied prior to issuance of any thereof, including, among other things, the obtaining of a Certificate of Convenience and Necessity and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which shall have been waived or shall have expired.

Section 5.05. Investments. The Issuer shall invest and reinvest, and hereby instructs the Bank to invest and reinvest, in Qualified Investments any moneys held as part of the funds and accounts created by this Ordinance, other than the Revenue Fund, to the fullest extent possible subject to applicable laws and this Ordinance, and the need for such moneys for the purposes set forth herein, and the specific restrictions and provisions set forth in this Section 5.06. The Issuer may direct the Bank in writing as to what particular permitted investments shall be made.

Except as provided herein and in the indenture, if any, any investment shall be held in and at all times be deemed a part of the fund or account in which the moneys and investments are held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the corresponding fund or account. The Bank 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 any loss on such liquidation. The Issuer may invest funds on deposit with the Bank through the trust department of the Bank. The Bank shall not be responsible for any losses from such investments, except losses due to its own gross negligence or willful misconduct.

Section 5.06. 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 Division 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 Division 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 5.07. Completion of Project and Operation and Maintenance of System. The Issuer will complete the Project as promptly as reasonably possible and will operate and maintain the System in good condition.

Section 5.08. Sale of the System. The System will not be sold without the prior written consent of the Purchaser so long as any of the Originals Bonds are outstanding. Such consent will provide for disposition of the proceeds of any such sale.

Section 5.09. Issuance of Additional Parity Bonds or Obligations. No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Recording Officer 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 Outstanding;
- (2) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Bond Legislation then Outstanding; and

(3) The Parity Bonds then proposed to be issued.

No additional bonds or other obligations payable out of the revenues of the System which are senior in any way to or on a parity with the Original Bonds shall be issued after the issuance of the Original Bonds pursuant hereto except with the prior written consent of the Purchaser.

Section 5.10. Insurance and Bonds. The Issuer hereby covenants and agrees that it will, as an expense of construction, operation and maintenance of the System, procure, carry and maintain, so long as the Original Bonds remain outstanding, insurance with a reputable insurance carrier or carriers covering the following risks and in the following amounts:

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

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

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

(d) Workers' Compensation Coverage for all Employees of the Issuer Eligible Therefor and Performance and Payment Bonds, such bonds to be in the amounts of 100% of the construction contract, will be required of each prime contractor, and such payment bonds will be filed with the Clerk of the County Commission of said County prior to commencement of construction of the Project in compliance with the West Virginia Code § 38-2-39.

(e) Fidelity Bonds will be provided as to every member of the Governing Body and as to every officer and employee thereof having custody of the Revenue Fund or of any revenues or other funds in the custody of any such person at any one time, and initially in the

amount of \$10,000 upon the Recording Officer, provided, however, that no bond shall be required insofar as custody of the Project Construction Account is concerned so long as checks thereon require the signature of a representative of the Purchaser.

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

Section 5.11. Events of Default. Each of the following events is hereby declared an "Event of Default":

(a) Failure to make payment of any monthly amortization installment at the date specified for payment thereof;

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

Section 5.12. Enforcement. Upon the happening of any Event of Default specified above, then, and in every such case, the Purchaser may proceed to protect and enforce its rights by an appropriate action in any court of competent jurisdiction, either for the specific performance of any covenant or agreement, or execution of any power, or for the enforcement of any proper legal or equitable remedy as shall be deemed most effectual to protect and enforce such rights.

Upon application by the Purchaser, such court may, upon proof of such default appoint a receiver for the affairs of the Issuer and the System. The Receiver so appointed shall administer the System on behalf of the Issuer, shall exercise all the rights and powers of the Issuer with respect to the System, shall proceed under the direction of the Court to obtain authorization to increase rates and charges of the System, and shall have the power to collect and receive all revenues and apply the same in such manner as the court may direct.

Section 5.13. Fiscal Year; Budget. While any Bond is outstanding and unpaid and to the extent not now prohibited by law, the System shall be operated and maintained on a fiscal year basis commencing on July 1 of each year and ending on the following June 30, which period shall also constitute the budget year for the operation and maintenance of the System. Not later than thirty days prior to the beginning of each fiscal year, the Issuer agrees to adopt the Annual Budget for the ensuing year, and no expenditures for operation and maintenance expenses of the System in excess of the Annual Budget shall be made during such fiscal year unless unanimously authorized and directed by the Governing Body. Copies of each Annual Budget shall be delivered to the Purchaser by the beginning of each fiscal year.

If for any reason the Issuer shall not have adopted the Annual Budget before the first day of any fiscal year, it shall adopt a Budget of Current Expenses from month to month

until the adoption of the Annual Budget; provided, however, that no such monthly budget shall exceed the budget for the corresponding month in the year next preceding by more than ten per centum; and provided further, that adoption of a Budget of Current Expenses shall not constitute compliance with the covenant to adopt an Annual Budget unless failure to adopt an Annual Budget be for a reason beyond the control of the Issuer. Each such Budget of Current Expenses shall be mailed immediately to the Purchaser.

Section 5.14. Books and Records. The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and the Purchaser shall have the right at all reasonable times to inspect the System and all records, accounts and data of the Issuer relating thereto.

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

Section 5.15. No Competition. To the extent allowable by law, the Issuer will not permit competition with the System within its boundaries or within the territory served by it and will not grant or cause, consent to or allow the granting of any franchise, permit or other authorization for any person, firm, corporation, public or private body, agency or instrumentality whatsoever to provide any of the services supplied by the System within the boundaries of the Issuer or within the territory served by the System.

Section 5.16. 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 service 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, if the water system is not owned by the Issuer, then the Issuer shall enter into a

termination agreement with the water provider and the Issuer shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 5.17. Wetlands Covenant. The Issuer shall not use any Bond proceeds for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity. Failure to comply with this covenant shall constitute an Event of Default under Section 5.11(b) of this Resolution.

ARTICLE VI RATES, ETC.

Section 6.01. Initial Schedule of Rates and Charges; Rules. The schedule of rates and charges for the services and facilities of the System initially shall be those contained in the Ordinance enacted by the Council of the Issuer on July 22, 2003, and the adoption of such rates is hereby ratified and affirmed.

ARTICLE VII MISCELLANEOUS

Section 7.01. Modification or Amendment. No material modification or amendment of this Bond Legislation, or of any Bond Legislation amendatory hereof or supplemental hereto, may be made without the prior consent in writing of the Purchaser.

Section 7.02. Delivery of Bond No. 1. The Mayor is hereby authorized and directed to cause Bond No. 1, hereby awarded to the Purchaser pursuant to prior agreement, to be delivered to the Purchaser as soon as the Purchaser will accept such delivery.

Section 7.03. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions hereof should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions hereof, and shall in no way affect the validity of all the other provisions hereof or the Bonds.

Section 7.04. Conflicting Provisions Repealed. All ordinances, resolutions and orders, or parts thereof, in conflict with the provisions hereof are, to the extent of such conflicts, hereby repealed, but excluding the Loan Resolution (Form FmHA 442-47).

Section 7.05. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 7.06. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Bond Legislation, substantially in the form attached hereto as Exhibit A, which abstract is determined by the governing Body to contain sufficient information as to give notice of the contents hereof, shall be published once a week for two successive weeks within a period of fourteen consecutive days, with at least six full days intervening between each publication, in the Parkersburg News, a newspaper published and of general circulation in the boundaries of the Issuer, together with a notice stating that this Bond Legislation has been adopted and that the Issuer contemplates the issuance of the Bond, and that any person interested may appear before the Common Council upon a date certain, not less than ten days subsequent to the first date of the publication of this Bond Legislation and notice, and present protests. At such hearing, all objections and suggestions shall be heard and the Common Council shall take such action as it shall deem proper in the premises.

Section 7.07. Covenant of Due Procedure, etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the final enactment and passage of this Bond Legislation 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 and Recording Officer, all members of the

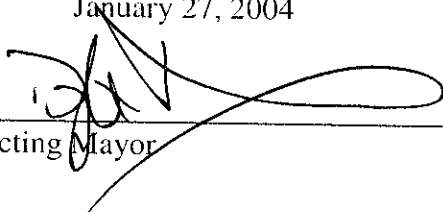
Governing Body and the Sanitary Board, were at all times when any actions in connection with this Bond Legislation occurred and are duly in office and duly qualified for such service.

Passed on First Reading January 6, 2004

Passed on Second Reading January 13, 2004

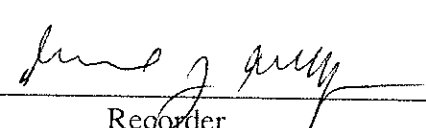
Effective following
public hearing held on January 27, 2004

[SEAL]



Acting Mayor

Attest:

By:  _____

Recorder

Bowles Rice McDavid Graff & Love_{LLP}

Town of North Hills

February 19, 2004

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The Bond has been awarded to the United States of America at par. There are no outstanding obligations of the Issuer which rank on a parity with the Bond as to liens and source of and security for payment.

It is our opinion that:

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

2. The Issuer has legally and effectively enacted the Bond Ordinance in connection with the Bond and has sold and delivered the Bond to the United States of America.

3. 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 first lien on and pledge of the net revenues of the System, all in accordance with the terms of the Bond and the Bond Ordinance.

4. The Bond is not being issued on the basis that the interest thereon is or will be excluded from gross income for federal income tax purposes; therefore, the interest on the Bond is not excluded from gross income for federal income tax purposes. We express no opinion regarding other federal tax consequences arising with respect to the Bond.

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

6. To the best of our knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transaction contemplated by that certain Letter of Conditions, dated June 18, 2003, as amended by letter dated August 25, 2003, from the United States Department of Agriculture, Rural Development to the Issuer, the Bond Ordinance, acquisition, construction or operation of the System or the validity of the Bond or the issuance of the Bond or the collection or pledge of the net revenues of the System therefor or for the Bond.

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

Bowles Rice
McDavid Graff & Love_{LLP}

Town of North Hills
February 19, 2004
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creditors' rights (to the extent constitutionally applicable) and that the enforcement thereof may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

Bowles Rice McDavid Graff & Love LLP

Bowles Rice McDavid Graff & Love^{LLP}

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Steven R. Hardman
Telephone — (304) 420-5521
Facsimile — (304) 420-5587

February 19, 2004

E-Mail Address:
shardman@bowlesrice.com

Town of North Hills
P. O. Box 305
North Hills, West Virginia 26335

RE: \$1,255,000 Town of North Hills Sewer Revenue Bonds

Ladies and Gentlemen:

We are counsel to the Town of North Hills, a municipal corporation and political subdivision of the State of West Virginia, in Wood County, West Virginia (the "Issuer"). As such counsel, I have examined the Bond Ordinance duly enacted by the Issuer on January 13, 2004, and put into effect following a public hearing on January 27, 2004 (the "Local Act"), and other documents, papers, agreements, instruments and certificates relating to the above-captioned Bond of the Issuer (the "Bond"). Terms used in said Local Act and not otherwise defined herein have the same meanings herein.

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 Issuer is a duly organized and presently existing municipal corporation of the State of West Virginia with full power and authority to acquire, construct, improve and maintain the System and issue and sell the Bond, all under the provisions of Chapter 16, Article 13, of the Code of West Virginia of 1931, as amended, (the "Act") and other applicable provisions of law.
2. The Mayor, Recorder and members of the Council and Sanitary Board of the Issuer have been duly and properly elected or appointed as applicable, have taken the requisite oaths, and are authorized to act on behalf of the Issuer in their respective capacities.
3. The Local Act has been duly enacted by the Issuer and is in full force and effect.

Bowles Rice McDavid Graff & Love_{LLP}

February 19, 2004

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4. To the best of our knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transaction contemplated by that certain Letter of Conditions, dated June 18, 2003, as amended by letter dated August 25, 2003, from the United States Department of Agriculture, Rural Development to the Issuer, the Bond Ordinance, acquisition, construction or operation of the System or the validity of the Bond or the issuance of the Bond or the collection or pledge of the net revenues of the System therefor or for the Bond.

Very truly yours,

Bowles Rice McDavid Graff & Love LLP

Bowles Rice McDavid Graff & Love LLP

SRH/pss

**TOWN OF NORTH HILLS, WEST VIRGINIA
SEWER REVENUE BOND
SERIES 2004**

RECEIPT FOR BOND AND TRANSCRIPT

The undersigned, for the United States Department of Agriculture, hereby certifies as follows:

1. On the 19th day of February, 2004, at Parkersburg, West Virginia, the undersigned received from the Town of North Hills, West Virginia (the "Town"), the single Town of North Hills, West Virginia Sewer Revenue Bond, Series 2004 (the "Bond"), in the principal amount of \$1,255,000 dated as of the date hereof, bearing interest at the rate of 4.625% per annum, payable in monthly installments as stated in the Bond.

2. At the time of such receipt, the Bond had been executed and sealed by the Mayor and Recorder of the Town.

3. At the time of such receipt, there was paid to the Town the sum of \$165,700.00.

4. At the time of such receipt, there was also received by the undersigned three sets of Bond transcript documents.

WITNESS my signature on the 19th day of February, 2004.

UNITED STATES OF AMERICA
DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

By: Virginia M. McDonald
Its: Rural Development Specialist
(Title)

**TOWN OF NORTH HILLS
SEWER REVENUE BOND
SERIES 2004**

SPECIMEN
No. R-1

\$1,255,000

Date: February 19, 2004

THE TOWN OF NORTH HILLS (the "Issuer"), for value received, promises to pay to the order of the United States of America (the "Purchaser"), or its registered assigns, at its National Finance Office, St. Louis, Missouri, 63103, or at such other place as the Purchaser may hereafter designate in writing, the principal sum of \$1,255,000, plus interest on the unpaid principal balance at the rate of four and six hundred twenty-five one thousandths per cent (4.625%) per annum. The said principal and interest shall be paid in the following installments on the following dates: Installments of interest only commencing 30 days following delivery of the Bond and continuing on the corresponding day of each month for the first 24 months after the date hereof and \$5,861.00, 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, 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 hereof is not advanced at the time of closing, the proceeds hereof shall be advanced to Issuer as requested by Issuer and approved by the Purchaser 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 hereon 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 the Issuer. Refunds and extra payments, as defined in the regulations of the Purchaser according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of Issuer to pay the remaining installments as scheduled herein.

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

While this Bond is held by an insured lender, prepayments made by Issuer may, at the option of the Purchaser, be remitted by the Purchaser to the Holder promptly or, except for final payment, be retained by the Purchaser and remitted to the Holder on

either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Issuer, except payments retained and remitted by the Purchaser on an annual installment due date basis, shall be the date of the United States Treasury check by which the Purchaser remits the payment to the Holder. The effective date of any prepayment retained and remitted by the Purchaser to the Holder on an annual installment due date basis shall be the date of the prepayment by Issuer and the Purchaser 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 Purchaser 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 Purchaser shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by Issuer to the Purchaser without demand. Issuer agrees to use the loan evidenced hereby solely for purposes authorized by the Purchaser.

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

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

Registration of this Bond is transferable by the registered owner hereof in person or by his, her or its attorney duly authorized in writing, at the office of the Recorder of the Issuer, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Ordinance hereinafter described, 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 hereinafter defined, 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 Recorder of the Issuer.

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 Code of West Virginia of 1931, as amended (herein called the "Act") and Ordinance of the Issuer duly enacted on January 13, 2004, and put into effect following a public hearing held on January 27, 2004.

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

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

[CORPORATE SEAL]

THE TOWN OF NORTH HILLS

By: [Signature]
Acting Mayor

Attest:

[Signature]
Recorder

RECORD OF ADVANCES

<u>AMOUNT</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>DATE</u>
(1) \$ 165,700.00	February 19, 2004	(6) \$	
(2) \$		(7) \$	
(3) \$		(8) \$	
(4) \$		(9) \$	
(5) \$		(10) \$	
TOTAL		\$	

(No writing on this Bond except by the Issuer as Registrar)

Date of
Registration

February 19, 2004

In Whose Name
Registered

United States of America
Post Office Box 678
Morgantown, West Virginia 26505

Signature of
Recorder or
Registrar

[Handwritten Signature]

Litho. in U.S.A.

ASSIGNMENT

Pay to the Order of

UNITED STATES OF AMERICA

By _____
By: _____
(Title)

Litho in U.S.A.

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