



REQUEST FOR BOARD ACTION

ITEM NO. 17

DATE OF MEETING: September 20, 2010

REQUESTED BY: Michael G. Mack, Director, PCU

SHORT TITLE: Resolution Approving the Bond Order Authorizing the Issuance of Water Revenue Bonds, Including up to \$4,955,000 in Water Revenue Bonds for the Pender County Surface Water Treatment Plant and Associated Water Transmission Main Projects.

BACKGROUND: Pender County has previously determined to undertake certain water system improvements, including construction of the new Water Treatment Plant and associated Water Transmission Main. The County has also determined to issue Revenue Bonds to finance a portion of the Project's costs. The United States of America, acting by and through Rural Utilities Service, an agency of the United States Department of Agriculture, has offered to assist the County in financing the Project through a combination of grant and loan funds, including through the purchase of Revenue Bonds. The North Carolina Local Government Commission has approved the County's issuance of the revenue bonds.

This Bond Order therefore provides for the County's issuance of up to \$4,955,000 in Water Revenue Bonds to evidence the revenue bond portion of the proposed financing package.

The terms and conditions of the issuance of and security for such bond, and all other County Water Revenue Bonds to be issued under this Bond Order are contained in the attached 35 page Bond Order.

SPECIFIC ACTION REQUESTED: To consider a resolution approving the Bond Order authorizing the issuance of Water Revenue Bonds, including up to \$4,955,000 in Water Revenue Bonds for the Pender County Surface Water Treatment Plant and associated Water Transmission Main Projects.

COUNTY MANAGER'S RECOMMENDATION

Respectfully recommend approval.

MB
Initial

RESOLUTION

NOW, THEREFORE BE IT RESOLVED by the Pender County Board of Commissioners that:

the attached Resolution is approved authorizing the issuance of Water Revenue Bonds, including up to \$4,955,000 in Water Revenue Bonds for the Pender County Surface Water Treatment Plant and Associated Water Transmission Main Projects.

The Chairman/County Manager is authorized to execute any document necessary to implement this resolution.

AMENDMENTS:

MOVED _____ SECONDED _____

APPROVED _____ DENIED _____ UNANIMOUS

YEA VOTES: Tate ___ Blanchard ___ Brown ___ Rivenbark ___ Williams ___

Jimmy T. Tate, Chairman 09/20/2010
Date

ATTEST 09/20/2010
Date

BOND ORDER AUTHORIZING THE ISSUANCE FROM TIME TO TIME OF WATER REVENUE BONDS, INCLUDING UP TO \$4,955,000 IN WATER REVENUE BONDS FOR THE NEW WATER PLANT AND ASSOCIATED WATER TRANSMISSION LINES

WHEREAS –

Pender County has previously determined to undertake certain water system improvements, particularly including construction of the new water treatment plant and associated water transmission lines (the “Project”). The County has also determined to issue revenue bonds to finance a portion of the Project’s costs.

The United States of America, acting by and through Rural Utilities Service, an agency of the United States Department of Agriculture, has offered to assist the County in financing the Project through a combination of grant and loan funds, including through the purchase of revenue bonds. The County has determined to accept the offer.

The North Carolina Local Government Commission has approved the County’s issuance of the revenue bonds.

This Bond Order therefore provides for the County’s issuance of up to \$4,955,000 in water revenue bonds to evidence the revenue bond portion of the proposed financing package.

NOW, THEREFORE, BE IT ORDERED by the Board of Commissioners of Pender County, North Carolina, as follows:

There are hereby ordered to be issued from time to time, pursuant to the North Carolina State and Local Government Revenue Bond Act, water revenue bonds of the Pender County to pay capital costs of providing water system improvements, together with related financing and other necessary or incidental costs.

In particular there is hereby ordered to be issued, pursuant to such Act, a water revenue bond in the principal amount of \$4,955,000 to provide funds to be used, together with other available funds, to pay costs of providing water system improvements, and in particular costs of the Project.

The terms and conditions of the issuance of and security for such bond, and all other County water revenue bonds to be issued under this Bond Order, are as follows:

ARTICLE I

AUTHORIZATION OF INITIAL BOND; TERMS OF BONDS

1.01. Authorization of Initial Bond. The County shall issue, in accordance with and pursuant to the Act and this Bond Order, its water revenue bond in a principal amount not exceeding \$4,955,000 (the “Initial Bond”) to provide funds to be used, together with other available funds, to finance Project Costs.

1.02. Award of Initial Bond. The County determines that it is in the County's best interests to accept the Government's proposal for its purchase of the Initial Bond. The County asks the LGC to sell the Initial Bond to the Government, in accordance with the proposal previously provided to the County by the Government.

1.03. Details of Initial Bond. (a) The Initial Bond will be issued as a single fully registered bond in a denomination not to exceed \$4,955,000, will be dated the Closing Date, will be numbered R-1 and will bear interest at an annual rate not to exceed 3.375%. The Initial Bond will be in substantially the form of Exhibit A, with such minor changes (including any appropriate changes to the Series designation) not inconsistent with this Bond Order as may be approved by the Government and the officers signing the Initial Bond. Such approval will be evidenced conclusively by the Government's acceptance of the delivery of the Initial Bond.

(b) Only interest on the Initial Bond will be payable on the first and second June 1 following the Closing Date. Thereafter, installments of principal and interest will be payable on each June 1, beginning on the third June 1 following the Closing Date and continuing on each June 1 thereafter, until the principal of the Initial Bond is paid in full. The payment of every installment will be applied first to interest accrued to the payment date and then to principal.

(c) The principal of the Initial Bond will be payable in installments on June 1 in such years and amounts as the Finance Officer determines after consultation with the LGC and as may be approved by the Government, except that in any event the final payment on the Initial Bond must be payable not more than 40 years from the Closing Date.

(d) The Finance Officer will execute a certificate prior to the initial delivery of the Initial Bond designating the annual interest rate on, and the final principal payment schedule for, the Initial Bond. This certificate will be conclusive evidence of the Finance Officer's approval and determination of such matters.

(e) Installments will be payable in lawful money of the United States, but only from the Net Revenues and other funds pledged therefor as provided in this Bond Order. So long as the Government is the registered owner of the Initial Bond, installments will be payable in such fashion, including automatic debiting, as the Government may determine.

If the Government is no longer the registered owner of any portion of the Initial Bond, installments will be payable by check or draft mailed on the payment date to the registered owner of the Initial Bond at its address as it appears on the registration books kept by the Registrar, except that the final installment will be payable upon presentation and surrender of the Initial Bond to the Registrar at the County's office in Burgaw, North Carolina.

1.04. Prepayment of Initial Bond. (a) So long as the Government is the registered owner of the Initial Bond, the County may prepay principal installments of the Initial Bond in whole or in part at any time at the County's option, without premium.

(b) If an assignee of the United States is the registered owner of the Initial Bond, installments of principal maturing on and after June 1, 2023, are prepayable at the County's option in whole or in part at any time on or after June 1, 2022, without premium.

(c) The County must give 30 days' prior written notice of any prepayment to the registered owners of the Initial Bond or the affected portions thereof, by registered or certified

mail, to the address shown on the Registrar's registration book. In any case, any prepayment shall be applied first to any accrued and unpaid interest and then to installments of principal in inverse order of maturity. No such prepayment shall affect the County's obligation to pay when due the remaining scheduled installments of principal of and interest on the Initial Bond. On any date designated for prepayment, notice having been given and moneys for the payment of the prepayment price being held in trust for such purpose, the Initial Bond or the applicable portions thereof becomes due and payable, and the interest on the Initial Bond or portions thereof so prepaid will cease to accrue.

1.05. Execution of Bonds. (a) Each Bond will be signed by the manual or facsimile signature of the Chairman of the Board of County Commissioners or the County Manager, and the County's seal (or a facsimile thereof) will be affixed thereto and attested by the manual or facsimile signature of the Clerk to this Board (or any Assistant Clerk). In addition, each Bond will carry a certificate of the LGC as provided by the Act. No Bond will be valid, however, unless at least one of the signatures appearing on such Bond (which may be the signature of the LGC's representative) is manually applied or until such Bond has been authenticated by the manual signature of an authorized officer or employee of an independent Registrar selected by the County.

(b) Any Bond may be signed, sealed or attested on behalf of the County by any person who, at the date of such act, holds the proper office, notwithstanding that at the date of such Bond or the date of delivery thereof such person does not hold such office. If any officer who has signed or sealed any of the Bonds ceases to be such officer before the Bonds so signed or sealed are delivered, such Bonds may nevertheless be delivered as if the person who so signed or sealed such Bonds had not ceased to be such officer.

1.06. Registration and Transfer of Bonds; Restrictions on Transfer. The Registrar shall maintain records for the registration of ownership and transfers of the Bonds. The Registrar will transfer the record of ownership of any Bond only upon surrender of such Bond to the Registrar, with such Bond accompanied by an assignment duly executed by the Holder or its attorney or legal representative in such form as is satisfactory to the Registrar. Upon any such registration of transfer, the County shall execute, and the Registrar shall deliver in exchange for such Bond, a new Bond of the same series registered in the name of the transferee and in an aggregate principal amount equal to the unpaid principal amount of the transferred Bond, having maturities corresponding to the principal installments of the transferred Bond and bearing interest at the same rate.

The County and the Registrar shall process any Bond transfer as soon as practicable upon the receipt of a request for re-registration. The County and the Registrar may make a charge for every such transfer of Bonds sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such transfer. Neither the County nor the Registrar is required to make any such registration of transfer of Bonds during the fifteen (15) days immediately preceding an interest payment date on the Bonds or, in the case of any proposed redemption of Bonds, after a notice of redemption has been sent to the registered owner.

The Registrar will not register the transfer of any Bonds, or any portion thereof, to any person other than a bank, an insurance company or a similar financial institution unless the LGC has previously approved such transfer.

1.07. Ownership of Bonds. The Registrar shall treat the registered owner of each Bond as the person exclusively entitled to payment of principal and interest and the exercise of all other rights and powers of the owner, and payment of or on account of the principal of and the interest on any such Bond shall be made only to the Holder thereof or his legal representative; provided, however, that in the case of Bonds not registered to the Government, the County will make payments of principal and interest to the person shown as the registered owner as shown on the record books at the end of the day on the 15th day of the month preceding the payment date (whether or not a business day). All such payments will be valid and effectual to satisfy and discharge the liability upon such Bond including the interest thereon to the extent of the sum or sums so paid.

1.08. Mutilated, Lost, Stolen or Destroyed Bonds. (a) If any Outstanding Bond is damaged, mutilated, lost, stolen or destroyed, the County shall execute and deliver a replacement Bond, of the same tenor as the damaged, mutilated, lost, stolen or destroyed Bond, in the manner provided below.

(b) An Owner must apply to the County for exchange and substitution of damaged, mutilated, lost, stolen or destroyed Bonds. An applicant for a replacement Bond must furnish to the County such security or indemnity as the County may require to save it harmless. In every case of loss, theft or destruction of a Bond, the applicant must also furnish evidence to the County's satisfaction of the loss, theft or destruction. In the case of damage or mutilation of a Bond, the applicant must surrender the Bond so damaged or mutilated.

(c) Notwithstanding the foregoing, if any such Bond has matured, and no default is then continuing in the payment of the principal or interest with respect to such Bond, the County may pay the same (without surrender of the Bond except in the case of a damaged or mutilated Bond) instead of issuing a substitute Bond, provided security or indemnity is furnished as provided above in the case of a lost, stolen or destroyed Bond.

(d) The County may charge the Owner of such Bond with all expenses in connection with the issuance of any substitute Bond. Every substitute Bond issued pursuant to the provisions of this Section because any Bond is lost, stolen or destroyed, whether or not the lost, stolen or destroyed Bond may be found at any time, or may be enforceable by anyone, will be entitled to all the benefits of this Bond Order equally and proportionally with any and all other Bonds duly executed and delivered hereunder.

1.09. Cancellation. The registered owners of all Bonds paid, redeemed or purchased either at or before maturity, shall, at the County's direction, deliver such Bonds to the Registrar or to the County when such payment, redemption or purchase is made and such Bonds will thereupon be cancelled. The Registrar shall destroy all Bonds cancelled under any of the provisions of this Bond Order, and the Registrar shall keep a record of all Bonds so destroyed.

ARTICLE II

ADDITIONAL OBLIGATIONS

2.01. Restriction on Incurring Obligations. The County will not, without the Government's prior written consent (so long as the Government is the owner of any Bonds), (a) borrow money from any source, (b) enter into any contract or agreement that is treated for

accounting purposes as substantially equivalent to the borrowing of money, or (c) incur any other liabilities, in all cases in connection with the acquisition or construction of improvements, extensions, additional and replacements to, or for any other purpose in connection with, the System, other than with respect to normal operations and maintenance, and notwithstanding any other provision of this Article II.

2.02. Issuance of Additional Bonds. The County may issue Additional Bonds secured by a lien on Net Revenues ranking on a parity with the lien on Net Revenues securing the Bonds then Outstanding (a) to finance the cost of the acquisition or construction of improvements, extensions, additions and replacements to the System, or to finance the capital costs of planning or investigating the feasibility of such improvements, extensions, additions or replacements, or to complete the Project, (b) to refund any Bonds or other County indebtedness, (c) to prevent an interruption or delay in payments of principal and interest on Bonds, (c) to establish or maintain reserves or pay financing costs, or (d) for any combination of such purposes.

2.03. Terms of Additional Bonds. Additional Bonds will be in substantially the form of the Initial Bond, will be dated such date, will mature on such dates in such installments of principal and interest, will bear interest at such rate or rates, will be in such denomination or denominations and may contain such provisions for prepayment prior to their respective maturities, all as provided by the County by resolution adopted prior to their issuance. Additional Bonds will contain an appropriate series designation.

2.04. Approval by Local Government Commission. The County will not issue any Additional Bonds unless they are approved and sold by the LGC and until the LGC's Secretary (or an authorized representative) has endorsed thereon a certificate evidencing approval in accordance with the Act, unless such approval, sale or endorsement is no longer required by law.

2.05. Issuance of Revenue Bond Anticipation Notes. Notwithstanding any other provision of this Bond Order, the County is authorized to issue, in anticipation of the receipt of the net proceeds of any Bonds, revenue bond anticipation notes for the purpose of providing funds to pay the cost of the Project or any System Improvements. The payment of the principal of and interest on any such notes will be secured by a pledge, charge and lien upon the proceeds of any Bonds, if and when issued, and by the pledge of the Net Revenues pursuant to Section 3.02, and otherwise as may be provided for in the proceedings and documents providing for the issuance of such notes. All covenants, obligations and agreements of the County contained in this Bond Order are covenants, obligations and agreements of the County with the owners of any such notes.

2.06. Installment Financing for System Assets. The County will not contract any Installment Financing unless and until there has been filed with the Finance Officer the following:

(a) an opinion of counsel to the County to the effect that such financing is not expressly and directly secured by a lien on Net Revenues or issued under or secured by the provisions of this Bond Order, and that such financing will not constitute on the part of the County a breach of or default under any of the covenants or provisions of this Bond Order;

(b) a certificate of a County Representative to the effect that the property to be acquired, constructed or improved from the proceeds of the Installment Financing will be used and useful in the operation of the System;

(c) a statement, signed by an Appropriate Consultant, stating that in its opinion the acquisition or construction of such System Assets will not materially adversely affect the Net Revenues or impair the operating efficiency of the System; and

(d) The Government's written consent, if the Government then is the registered owner of any Bonds.

2.07. Other Obligations. The County may at any time issue or contract General Obligation System Bonds or Subordinate Bonds, without the consent or approval of any other party or entity (other than the Government's consent as provided in Section 2.01 and any approval of the LGC that may otherwise required by law), provided that there is filed with the Finance Officer a certificate of a County Representative to the effect that upon the issuance or contraction of such General Obligation System Bonds or Subordinate Bonds the County will have rates, fees or charges in effect (or scheduled to go into effect) sufficient for the County to remain in compliance with the requirements of Section 3.04.

ARTICLE III

SECURITY; REVENUES AND FUNDS

3.01. Bonds are Special Obligations. The Bonds are special obligations of the County, payable solely from the Net Revenues and other funds pledged therefore as provided in this Bond Order. The principal of, and interest and any premium on, the Bonds are payable solely from the Net Revenues and, to the extent not applied to pay costs associated with the respective projects for which the Bonds are issued, from the proceeds of Bonds or investment earnings on such proceeds. Neither the faith and credit nor the taxing power of the County is pledged for the payment of the principal of, or interest or any premium on, the Bonds, and no owner of any Bond has any right to compel the exercise of any governmental taxing power in connection with any default on any Bond.

3.02. Pledge of Revenues. All System Revenues are trust funds and are hereby pledged to the payment of the principal of and interest on the Bonds, subject only to the County's right to apply them to other purposes as provided by law and in this Bond Order. All System Revenues, as received by the County, are immediately subject to the lien of this pledge without any further act on the part of the County or otherwise, and the lien of this pledge has priority over any and all other County obligations and liabilities.

3.03. Agreement To Apply Net Revenues. The County shall apply the Net Revenues to the payment of principal of and interest on the Bonds as the same become due.

3.04. Covenant as to Rates and Charges. The County covenants and agrees that, subject to any applicable requirements of law or regulations, it shall fix Service Charges and from time to time to revise such Service Charges so that the Net Revenues for each Fiscal Year will be not less than 110% percent of the Debt Service Requirement for such Fiscal Year.

Forthwith upon the adoption of any revision of the Service Charges, the County will send certified copies of its new schedule of Service Charges to the Government and to each Identifiable Bondholder.

The County further covenants that if the Net Revenues in any Fiscal Year are less than the amount required by this Section, the County will request from an Appropriate Consultant recommendations regarding (a) revision of the schedule of Service Charges and (b) improvements in the operation of or services rendered by the System. The County will file copies of such request and of the recommendations with the LGC and the Government. Anything in this Bond Order to the contrary notwithstanding, if the County substantially complies with the recommendations, then any failure to comply with the rate covenant in this Section will not in itself constitute an event of default under this Bond Order.

3.05. Creation of Funds and Accounts. There are hereby created and designated the following special funds:

- (a) Revenue Fund;
- (b) Operating Fund;
- (c) Debt Service Fund;
- (d) Debt Service Reserve Fund; and
- (e) Capital Reserve Fund.

The County shall maintain these Funds separately on its books and records for so long as any Bonds are Outstanding. The County shall hold each Fund, and the moneys in each Fund, in trust, and shall apply such moneys as provided in this Article. Moneys in each Fund are pledged to the payment of all Bonds, subject only to the right to apply such funds to other purposes as provided by law and in this Bond Order.

3.06. Application of System Revenues. (a) The County shall deposit all System Revenues in the Revenue Fund as soon as practicable.

(b) If no Event of Default is continuing, and if the County is in compliance with the rate covenant set forth in Section 3.04, the County shall hold the System Revenues in the Revenue Fund and from such amounts, from time to time and as often as may be convenient, pay all Operating Expenses, make all payments when due on the Bonds and the Other Debt Obligations, and pay all other necessary and appropriate expenses of the System. The County also shall make in each Fiscal Year a deposit to the Debt Service Reserve Fund in an amount equal to 1/10 of the Debt Service Reserve Requirement. These deposits must begin in the Fiscal Year following the Fiscal Year in which the Project is placed in service, and continue until the amount on deposit in such Fund is equal to such Requirement. No other transfers provided for in Section 3.07, however, are required.

(c) If an Event of Default is continuing, or if the County is not in compliance with the rate covenant set forth in Section 3.04, the County shall each month apply the amounts on deposit in the Revenue Fund as provided in Section 3.07. Such monthly transfers shall only be required during the pendency of any such default.

3.07. Withdrawals from the Revenue Fund. The County shall, on or before the 20th day of each month, beginning in the month following the month in which the Project is placed in

service, withdraw from the Revenue Fund an amount equal to the amount of all moneys held for the credit of said Fund on the last day of the preceding month and deposit such sum to the credit of the following Funds in the following order:

(a) to the credit of the Operating Fund, such amount as may be necessary to raise the amount on deposit to the credit of the Operating Fund to the amount as shown by the Annual Budget as necessary for the payment of Operating Expenses for the ensuing month;

(b) to the credit of the Debt Service Fund, such amount as may be required to make the total amount then to the credit of such Fund equal to the amount of the principal and interest then due or to become due and payable on the Bonds and the Other Debt Obligations within the next twelve months;

(c) to the credit of the Debt Service Reserve Fund, until the amount on deposit therein is equal to the Debt Service Reserve Requirement, an amount equal to 1/120 of the Debt Service Reserve Requirement; and

(d) to the credit of the Capital Reserve Fund the balance, if any, remaining after making the deposits stated above;

provided, however, that if the amount so deposited in any month to the credit of any Fund mentioned in Section 3.05 shall be less than the required amount, the requirement therefor shall nevertheless be cumulative and the amount of any deficiency in any month shall be added to the amount otherwise required to be deposited to the credit of such Fund in each month thereafter until such time as such deficiency shall be made up.

3.08. Application of Moneys in Debt Service Fund. All moneys in the Debt Service Fund shall be held in trust for the payment of the principal of and the interest on the Bonds and the Other Debt Obligations, and no amount shall be withdrawn from or paid out of such Fund except as provided in this Bond Order. The County shall, from time to time, withdraw moneys from the Debt Service Fund to make payments when due of the principal of and interest on the Bonds and the Other Debt Obligations.

3.09. Application of Moneys in Debt Service Reserve Fund. (a) The County shall use moneys held for the credit of the Debt Service Reserve Fund to make full and timely payment of principal and interest on the Bonds whenever and to the extent that the moneys held for the credit of the Debt Service Fund are insufficient for such purpose.

(b) In addition, the County may use moneys held for the credit of the Debt Service Reserve Fund for emergency maintenance, for extensions to facilities, and for the replacement of short-lived assets that have a useful life significantly less than the repayment period of the Initial Bond. Any such withdrawal is subject to the Government's prior written consent.

(c) The County shall restore any moneys withdrawn from such Fund from available moneys in the Revenue Fund, subject to the same conditions as are prescribed for deposits to the credit of such Fund under the provisions of Sections 3.06(b) or 3.07. If at any time the amount held for the credit of the Debt Service Reserve Fund exceeds the requirement for such Fund under the provisions of Section 3.07, the County shall transfer such excess to the credit of the Capital Reserve Fund.

3.10. Application of Capital Reserve Fund. If, at any time, the amount available in the Revenue Fund is or has been insufficient to make required payments for Operating Expenses or for the Debt Service Fund or the Reserve Fund, the County shall withdraw from the Capital Reserve Fund, to the extent the moneys therein are available, and pay into the Revenue Fund, such amount as is required to remedy such deficiency.

The County may at any time withdraw moneys held for the credit of the Capital Reserve Fund and not then required to be paid to the Revenue Fund as described in the preceding paragraph. The County may apply such funds, without accounting therefor to the Holders, for any lawful purpose, including, without limitation, to pay debt service on general obligation indebtedness of the County.

3.11. Unclaimed Moneys. The County shall hold in trust for the respective Holders of Bonds all moneys which the County has set aside for the purpose of paying any of the Bonds, whether at maturity or upon call for redemption. Any moneys which have been set aside and remained unclaimed by the Holders of such Bonds for the period of five years after the date on which such Bonds have become payable shall be treated as abandoned property pursuant to the provisions of Section 116B-18 of the North Carolina General Statutes, and the County shall report and remit this property to the Escheat Fund according to the requirements of Article 3 of Chapter 116B of the North Carolina General Statutes. Thereafter the Holders of such Bonds shall look only to the Escheat Fund for payment; and then only to the extent of the amounts so received without any interest thereon, and the County shall have no responsibility with respect to such moneys.

ARTICLE IV

SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

4.01. Security for Deposits. The County shall provide that all moneys held under this Bond Order in excess of the amounts guaranteed by the Federal Deposit Insurance Corporation (or any other similar federal agency) are continuously secured, for the benefit of the County and the Holders of the Bonds, in such manner as may then be required by applicable State law or applicable regulation of the LGC.

4.02. Investment of Funds. The County shall, as nearly as may be practicable, continuously invest and reinvest moneys held for the credit of the Revenue Fund, the Debt Service Fund and the Capital Reserve Fund in Qualified Investments which mature, or which are subject to redemption by the holder thereof at the option of such holder, not later than the respective dates when such moneys will be required for the purposes intended. The County shall, as nearly as may be practicable, continuously invest and reinvest moneys held for the credit of the Debt Service Reserve Fund in Qualified Investments which mature, or which are subject to redemption by the holder thereof at the option of such holder, not later than three years after the date of such investment. Obligations and certificates of deposit purchased as investments of moneys in any such Fund or Account will be deemed at all times to be part of such Fund or Account. The interest accruing thereon and any profit realized therefrom will be credited to such Fund or Account, and any loss resulting therefrom shall be charged to such Fund or Account. The County shall sell at the best price obtainable or present for redemption any obligations so purchased whenever it shall be necessary so to do in order to provide moneys to meet any payment or transfer from any such Fund or Account. Neither the County nor any

County Representative will be liable or responsible for any loss resulting from any such investment. For the purpose of determining the amount on deposit to the credit of any such Fund or Account, obligations in which moneys in such Fund or Account have been invested will be valued at the lower of cost or market value.

ARTICLE V

PARTICULAR COVENANTS

5.01. Payment of Bonds and Observance of Covenants. The County covenants that it will promptly pay the principal of, and the interest and any premium on, every Bond, in the manner provided for in this Bond Order and in the Bonds, according to the true intent and meaning thereof. The County covenants that it shall faithfully do and perform and at all times fully observe any and all covenants, undertakings, stipulations and provisions contained in this Bond Order or in the Bonds.

5.02. Construction of Project and System Improvements. The County covenants that it will diligently proceed to complete the Project and any System Improvements in accordance with plans and specifications approved by Appropriate Consultants and in conformity with law and all requirements of all governmental authorities having jurisdiction thereover, and that it will pursue and complete such construction in good faith and with all due diligence, and in a commercially reasonable manner.

The County further covenants and agrees that it will require each person, firm or corporation with which it may contract for labor or materials in connection with the construction of the Project or any System Improvements to furnish a performance bond as required by law to insure completion and performance of such contract, and to carry such workers' compensation or employers' liability insurance as may be required by law and such builders' risk insurance, if any, as may be required by an Appropriate Consultant. The County further covenants and agrees that in the event of any default under any such contract and the failure of the surety to complete the contract, the proceeds of any such performance bond or securities shall forthwith, upon receipt of such proceeds, be applied toward the completion of the contract in connection with which such performance bond has been furnished.

5.03. System Operation and Maintenance. The County covenants that it shall at all times operate the System properly and in a sound and economical manner, and shall maintain, preserve and keep the same properly or cause the same to be so maintained, preserved and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the System may be properly and advantageously conducted.

5.04. Rules, Regulations and Other Details. The County covenants that it shall establish and shall enforce reasonable rules and regulations governing the operation, use and services of the System and that all compensations, salaries, fees and wages paid by the County in connection with the maintenance, repair and operation of the System will be reasonable. The County shall observe and perform or shall cause to be observed and performed all of the terms and conditions contained in the Act, and shall comply with all valid acts, rules, regulations,

orders and directions of any legislative, executive, administrative or judicial body applicable to the System or the County.

The County further covenants as follows:

(a) it may require the owner, tenant or occupant of each lot or parcel of land within the County who is obligated to pay rates, fees or charges for the services and facilities furnished by the System to make a reasonable deposit with the County in advance to insure the payment of such rates, fees or charges and to be subject to application to the payment thereof if and when delinquent;

(b) if any rates, fees or charges for the services and facilities furnished by the System are not be paid within thirty days after the same become due and payable, then, to the extent permitted by law, the County shall, to the extent permitted by law, at the expiration of such thirty-day period disconnect the premises from the System, and the County may proceed to recover by appropriate legal action the amount of any such delinquent rates, fees or charges;

(c) it will not render, or cause to be rendered, any free services of any nature by the System nor will preferential rates be established for users of the same class; and

(d) to the extent legally allowed, it will not consent to the furnishing of, or permit any person whatsoever to furnish, public water services within the County except in areas wherein the System is unable economically to serve the occupants and properties.

5.05. Payment of Lawful Charges. The County covenants that, from System Revenues, it will pay all taxes and assessments or other municipal or governmental charges lawfully levied or assessed upon or in respect of the System or upon any part and that, from such System Revenues, it will pay or cause to be discharged, or will make adequate provision to satisfy and discharge, within sixty days after the same shall accrue, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the System or any part thereof or upon such System Revenues; provided, however, that nothing in this Section contained requires the County to pay or cause to be discharged, or make provision for, any such lien or charge so long as the County is contesting the validity thereof in good faith and by appropriate legal proceedings.

5.06. Insurance and Reconstruction. The County covenants that it will obtain and maintain insurance, with reasonable terms, conditions, provisions and costs, that the County determines will afford adequate protection against such risks as are customarily insured against in connection with the operation of systems of type and size comparable to the System. All such insurance policies shall be carried in an insurance company or companies authorized and qualified under State law to assume the risks thereof.

The County shall receive the proceeds of all such insurance covering damage to or destruction of the System and shall, to the extent necessary, apply such proceeds to the repair, replacement or reconstruction of the damaged or destroyed property. If such proceeds are more than sufficient for such purpose, the County shall deposit any balance to the credit of the Capital Reserve Fund. If such proceeds are insufficient for such purpose, the County may supply any deficiency from moneys in the Capital Reserve Fund. The County shall deposit all proceeds of any insurance covering loss of System Revenues to the credit of the Revenue Fund.

5.07. Annual Budget of Operating Expenses. The County covenants that it shall develop an Annual Budget for each Fiscal Year in a manner consistent with State law. If for any reason the County has not adopted the Annual Budget before the first day of any Fiscal Year, the budget for the preceding Fiscal Year will be deemed to be in force until the adoption of the new Annual Budget.

The County may at any time adopt an amended or supplemental Annual Budget for the remainder of the then-current Fiscal Year, but no such amended or supplemental budget shall be effective until it has been approved by the Board.

The County covenants that the Operating Expenses incurred in any Fiscal Year will not exceed the reasonable and necessary amount thereof, and that it will not expend any amount or incur any obligations for maintenance, repair and operation in excess of the amounts provided for Operating Expenses in the current Annual Budget. Nothing in this Section limits the amount which the County may expend for Operating Expenses in any Fiscal Year, provided any amounts so expended are properly accounted for as to both revenues and expenses in the current Annual Budget.

5.08. Records, Books and Audits. The County covenants that it shall keep each of the funds of the System separate from all other funds of the County, and that it will keep accurate records and accounts of (a) all items of cost and of all expenditures relating to the System, (b) of the collection of System Revenues, and (c) of the application of System Revenues. Such records and accounts will at all times during normal business hours be open to the inspection of the LGC and the Holders of the Bonds.

The County further covenants that within 120 days after the close of each Fiscal Year, it will cause (i) an audit to be made of its books and accounts relating to the System by a firm of independent certified public accountants to be chosen by the County, and (ii) an annual report of operations of the System to be prepared, such annual report to cover the matters usually contained in annual reports for similar systems. Within 30 days after its receipt of such audit and such annual report, the County shall mail copies of each such audit and annual report to the LGC, to the Government (so long as the Government is the Holder of any Bonds) and, upon request, to each Identifiable Bondholder.

Each such audit report shall be prepared in accordance with generally accepted accounting principles and shall set forth in respect of the preceding Fiscal Year, among other matters, the System Revenues and Operating Expenses, all deposits or transfers to the credit of and all withdrawals from each special fund created hereunder, the amounts on deposit at the end of such Fiscal Year to the credit of each such special fund including the details of any investment thereof, a balance sheet and also the findings of such certified public accountants as to whether the moneys received by the County under this Bond Order have been applied in accordance with the provisions of this Bond Order, whether any obligations for Operating Expenses were incurred in excess of the amounts appropriated in the Annual Budget and whether the County is in default in the performance of any of the covenants contained in Article III. The audit must include a calculation of compliance for the Fiscal Year with the rate covenant set forth in Section 3.04.

The County further covenants that within 180 days after the end of each of the County's Fiscal Years, the County will file with the LGC a certificate signed by a County Representative stating (A) whether there existed at the end of such Fiscal Year any violation of any covenants or agreements of the County contained in this Bond Order, including any supplement or

amendment, and (B) whether at any time during the Fiscal Year any default occurred under this Bond Order, and if so, the nature of such default.

5.09. Sale or Encumbrance. The County covenants that it shall not sell, lease or otherwise dispose of or encumber the System or any part thereof except with the consent of one hundred percent of the Holders. Notwithstanding the foregoing, the County may, from time to time, sell or otherwise dispose of such property forming part of the System, including machinery, fixtures, apparatus, tools, instruments or other movable property, as the County may determine is not needed in connection with the maintenance and operation of the System. The County shall apply all proceeds from any sale, lease or disposition System assets to the replacement of the properties so sold or otherwise disposed of, or shall deposit such proceeds to the credit of the Capital Reserve Fund.

5.10. Creation of Liens. The County covenants that it will not create or permit to be created any charge or lien on the Net Revenues ranking equally with or prior to the charge or lien on the Net Revenues of the Bonds issued and secured hereunder unless in conformity with the provisions of this Bond Order or otherwise required by applicable law.

5.11. Instruments of Further Assurance. The County covenants that at any and all times it shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver all and every such further orders, resolutions, acts, conveyances, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting and confirming all and singular the rights, System Revenues and other funds hereby pledged or intended so to be, or which the County may hereafter become bound to pledge or as may be reasonable and required to carry out the purposes of this Bond Order and comply with the Act. The County further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Net Revenues and all the rights of the Holders against all claims and demands of all persons whomsoever.

5.12. Refinancing. The County will refinance the unpaid principal balance of any Bonds as to which the Government is the Holder upon the Government's request, if at any time it appears to the Government that the County is able to do so with funds obtained from responsible private sources at reasonable rates and terms for loans for similar purposes and periods of time.

5.13 Addition of Enterprises to the System. The County may at any time adopt an order amending this Bond Order to amend the definition of the "System" to add thereto any additional revenue-producing facility or system that may be a "revenue bond project" within the meaning of Section 159-81(3) of the North Carolina General Statutes, or any successor provision. Before any such amending order may take effect, the County must first (a) obtain the Government's written consent, so long as the Government is the owner of any Bonds, and (b) file with the LGC and the Clerk to the Board a certificate of a County Representative to the effect that the County does not expect that the addition of such facilities or systems will have a material adverse effect on the County's ability to comply with its covenants set forth in Sections 3.04 and 5.01.

ARTICLE VI

DEFAULT AND REMEDIES

6.01. Events of Default. The following will be Events of Default:

(a) Default by the County in the payment of principal of or interest on any of the Bonds, or of any other amount payable with respect to any of the Bonds.

(b) The County breaches or fails to perform or observe any term, condition or covenant of this Bond Order on its part to be observed or performed, other than as referred to in subsection (a), for a period of 30 days after written notice specifying such failure and requesting that it be remedied will have been given to the County by any Bondholder, unless the County is diligently working toward a remedy of the default and the Bondholder agrees in writing to an extension of such time (which consent will not be unreasonably withheld).

(c) The occurrence of an Act of Bankruptcy.

(d) Any event of default occurring with respect to any Bonds not otherwise provided for in this Bond Order.

6.02. Remedies. Upon the occurrence and continuation of an Event of Default, the Government or the Majority Owners at their option may:

(a) declare the entire unpaid principal amount of the Bonds then outstanding and accrued interest thereon to be immediately due and payable;

(b) incur and pay such reasonable expenses for the County's account as may be necessary to cure the cause of any default (with the County being then obligated to repay such amounts); and

(c) proceed to protect and enforce their rights under the Bonds and this Bond Order by a suit, action or special proceeding at law or in equity, 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 may be deemed most effectual to protect and enforce such rights, including, without limitation, the fixing of rates and the collection and proper application of the Net Revenues.

Notwithstanding any other provision of this Bond Order, the right of any owner of a Bond to receive payment of principal of and interest on its Bonds on or after the respective due dates expressed in the Bond, or to bring suit for the enforcement of any such payment on or after such respective dates, may not be impaired or affected without the owner's consent.

6.03. No Remedy Exclusive; Delay Not Waiver. All remedies under this Bond Order are cumulative and may be exercised concurrently or separately. The exercise of any one remedy will not be deemed an election of such remedy or preclude the exercise of any other remedy. If any Event of Default will occur and thereafter be waived, such waiver will be limited to the particular breach so waived and will not be deemed a waiver of any other breach under this Bond Order.

6.04. Notice of Default. The County shall mail to the LGC, the Government (so long as the Government is the Holder of any Bond) and to each Identifiable Bondholder written notice of the occurrence of any event of default set forth in Section 6.01 as soon as reasonably possible and in any event within thirty days after the County has notice that any such event of default has occurred.

6.05. Appointment of Trustee. (a) At any time during the continuation of an Event of Default, any Bondholder may appoint a trustee (the "Trustee") to serve as a fiduciary for all Bondholders. The County will enter into such amendments or supplements to this Bond Order as may be reasonably requested by any owner of any Bond or the putative Trustee to effect such appointment.

(b) Any such Trustee must be a corporation organized and doing business under the laws of the United States or any state or the District of Columbia that is (i) authorized under such laws and the laws of the State to exercise corporate trust powers, (ii) is subject to supervision or examination by the United States, any state or the District of Columbia, (iii) has a combined capital and surplus of at least \$100,000,000 as set forth in its most recent published annual report of condition, and (iv) is acceptable to the LGC.

(c) Any such Trustee must exercise the rights and powers granted to it with the same degree of care and skill in their exercise that a prudent person would exercise or use under the circumstances and in the conduct of such person's own affairs. Any such Trustee must act for the collective benefit of Bondholders.

The Majority Owners may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it. The Trustee, however, may refuse to follow any direction that conflicts with law or this Bond Order, is unduly prejudicial to the rights of other Bondholders, or would involve the Trustee in personal liability.

(d) In addition to any remedies to the Trustee under this Bond Order (or any other agreement pursuant to which Bonds have been or may be issued or secured), or under State and federal law, during the continuation of an Event of Default any such Trustee may:

(i) require the County immediately to pay to such Trustee all amounts in the County's possession representing Net Revenues;

(ii) require the County to endorse all checks and other negotiable instruments representing System Revenues to the order of the Trustee immediately upon the receipt thereof and to deliver such endorsed instruments daily to the Trustee; and

(iii) notify any of all account debtors of the County to pay any amounts representing System Revenues, when due and owing, directly to the Trustee, as Trustee, at any address in the United States designated by the Trustee.

(e) Any Trustee may resign by so notifying the County and the owners of the Bonds. The Majority Owners may remove the Trustee by so notifying the Trustee and the County. A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Majority Owners may appoint a successor Trustee.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee or the owners of at least 10% in principal amount of the Bonds Outstanding may petition any court of competent jurisdiction for the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the County and the Bondholders that appoint it. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Bond Order. The successor Trustee shall mail notice of its succession to the Bond owners. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee.

ARTICLE VII

SUPPLEMENTAL ORDERS

7.01. Without Consent of Holders. The County may amend this Bond Order in any respect prior to the delivery of the Initial Bond.

The County may, from time to time and at any time following delivery of the Initial Bond, adopt such orders supplemental hereto as shall not be inconsistent with the terms and provisions hereof (which supplemental orders shall thereafter form a part hereof):

(a) to cure any ambiguity or formal defect or omission or to correct any inconsistent provisions in this Bond Order or in any supplemental order, or

(b) to grant to or confer upon the Holders any additional rights, remedies, powers, County or security that may lawfully be granted to or conferred upon the Holders, or

(c) to add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of this Bond Order other conditions, limitations and restrictions thereafter to be observed, or

(d) to add to the covenants and agreements of the County in this Bond Order other covenants and agreements thereafter to be observed by the County or to surrender any right or power herein reserved to or conferred upon the County.

At least thirty (30) days prior to the adoption of any supplemental order for any of the purposes set forth in the immediately preceding paragraph of this Section, the Registrar, at the expense of the County, shall cause a notice of the proposed adoption of such supplemental order to be mailed, postage prepaid, to the Government, to the LGC and to each Identifiable Bondholder. Such notice shall briefly set forth the nature of the proposed supplemental order and shall state that copies thereof are on file at the principal office of the Registrar for inspection by all Holders.

7.02. With Consent of Holders. Subject to the terms and provisions contained in this Section, and not otherwise, the Holders of not less than a majority in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time following delivery of any Bonds, anything contained in this Bond Order to the contrary notwithstanding, to consent to and approve the adoption, of such order or orders supplemental hereto as shall be deemed necessary or desirable by the County for the purpose of modifying, altering, amending, adding to or rescinding, in particular, any of the terms or provisions contained in this Bond Order or in any supplemental order; provided, however, that nothing herein contained shall permit, or be construed as permitting, (a) an extension of the maturity of the principal of or the interest on any Bond issued hereunder without the consent of the Holder of such Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon without the consent of the Holder of such Bond, or (c) the creation of a lien upon or a pledge of System Revenues other than the lien and pledge created by this Bond Order without the consent of the Holders of all Bonds outstanding, or (d) a preference or priority of any Bond over any other Bond without the consent of the Holders of all Bonds outstanding or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental order without the consent of the Holders of all Bonds outstanding.

7.03. Obtaining Consent of Holders. If at any time the County shall determine that it is necessary or desirable to adopt any supplemental order for any of the purposes of Section 7.02, the Registrar, at the County's expense, shall cause notice of the proposed adoption of such supplemental order to be mailed, postage prepaid, to each Holder of Bonds at the addresses appearing on the registration books. Such notice shall briefly set forth the nature of the proposed supplemental order and shall state that copies thereof are on file at the principal corporate trust office of the Registrar for inspection by all Holders. The Registrar shall not, however, be subject to any liability to any Holder by reason of its failure to cause the notice required by this Section to be mailed and any such failure shall not affect the validity of such supplemental order when consented to and approved as provided in this Section.

Whenever, at any time within one year after the date of the first mailing of such notice, the County shall deliver to the Registrar an instrument or instruments in writing purporting to be executed by the Holders of not less than a majority in aggregate principal amount of the Bonds then outstanding, which instrument or instruments shall refer to the proposed supplemental order described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the County may adopt such supplemental order in substantially such form, without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

If the Holders of not less than a majority in aggregate principal amount of the Bonds outstanding at the time of the adoption of such supplemental order shall have consented to and approved the adoption thereof as herein provided, no Holder of any Bond shall have any right to object to the adoption of such supplemental order, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof; or to enjoin or restrain the County from adopting the same or from taking any action pursuant to the provisions thereof.

Upon the adoption of any supplemental order pursuant to the provisions of this Section, this Bond Order shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Bond Order of the County, the

Registrar and all Holders of Bonds then outstanding shall thereafter be determined, exercised and enforced in all respects under the provisions of this Bond Order as so modified and amended.

Bonds owned or held by or for the account of the County shall not be deemed outstanding and shall be excluded for the purpose of any consent or any calculation provided for in this Article.

Bonds delivered after the effective date of any action taken as in this Article provided may bear a notation by endorsement or otherwise in form approved by the County and Registrar as to such action. If the County and Registrar shall so determine, new Bonds modified to conform to any such action shall be prepared, authenticated and delivered to the Holder of any Bond then outstanding without cost to such Holder in exchange for and upon surrender of such outstanding Bonds.

7.04. Unanimous Consent of Holders. Notwithstanding anything contained in the foregoing provisions of this Article, the terms and provisions of this Bond Order or any order supplemental hereto and the rights and obligations of the County and of the Holders of the Bonds may be modified or amended in any respect upon the adoption by the County of an order to that effect, approved by the Registrar, and the filing with the County of the written consent of Holders of all the Bonds. No notice to Holders shall be required.

7.05. Government Consent Required. For so long as the Government is the registered owner of any portion of the Bonds, the County may amend this Bond Order only with the Government's consent.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

8.01. Contract with Bondholder. The provisions of this Bond Order will constitute a contract between the County and the Bondholders for so long as any principal of the Initial Bond or any interest thereon is Outstanding.

8.02. Resolutions as to Tax Matters. The County will not take or omit to take any action the taking or omission of which will cause the Bonds to be "arbitrage bonds," within the meaning of Section 148 of the "Code" (as defined below), or "private activity bonds" within the meaning of Code Section 141, or otherwise cause interest on the Bonds to be includable in gross income for federal income tax purposes. Without limiting the generality of the foregoing, the County will comply with any Code provision that may require the County at any time to pay to the United States any part of the earnings derived from the investment of the proceeds of the Bonds, and the County will pay any such required rebate from its general funds. For the purposes of this resolution, "Code" means the United States Internal Revenue Code of 1986, as amended, including applicable Treasury regulations.

8.03. Initial Bond Is a "Bank-Qualified" Obligation. The County designates the Initial Bond as a "qualified tax-exempt obligation" for the purpose of Code Section 265(b)(3), which provides certain tax advantages to financial institutions that purchase obligations like the Initial Bond.

8.04. Discharge of Bond Order. If, when the Bonds secured by this Bond Order have become due and payable in accordance with their terms or shall have been duly called for redemption and the whole amount of the principal and the interest and premium, if any, so due and payable upon all of the Bonds then outstanding shall have been paid, then and in that case the right, title and interest of the Holders of the Bonds secured hereby in the System Revenues and funds mentioned in this Bond Order shall thereupon cease, terminate and become void, and the County, in such case, may apply any and all balances remaining in any funds to any lawful purpose as the County shall determine; otherwise this Bond Order shall be, continue and remain in full force and effect.

8.05. Payments When Funds are Insufficient. Anything in this Bond Order to the contrary notwithstanding, if at any time moneys are insufficient to pay the interest on or the principal of the Bonds as the same become due and payable (either by their terms or by acceleration of maturities), all moneys in the Debt Service Fund and Debt Service Reserve Fund, together with any moneys then available or thereafter becoming available for such purpose, shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied

first: to the payment to the persons entitled thereto of all installments of interest then due, in the order of the maturity of the installments of such interest, and if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds;

second: to the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this Bond Order), in the order of their due dates, with interest on such Bonds from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or preference; and

third: to the payment of the interest on and the principal of the Bonds, to the purchase and retirement of Bonds and to the redemption of Bonds, all in accordance with the provisions of this Bond Order.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

(c) If the principal of all of the Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled, then the moneys then

remaining in and thereafter accruing to the Debt Service Fund and the Debt Service Reserve Fund shall be applied in accordance with the provisions of paragraph (a) of this Section.

8.06. Effect of County's Undertakings. All of the covenants, stipulations, obligations and agreements contained in this Bond Order shall be deemed to be covenants, stipulations, obligations and agreements of the County to the full extent authorized or permitted by law, and all such covenants, stipulations, obligations and agreements shall be binding upon the successor or successors thereof from time to time, and upon any officer, board, commission, authority, agency or instrumentality to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law.

8.07. Notices. Any notice or other communication required or contemplated by this Bond Order (unless otherwise provided herein) to be given to or filed with the County or the Registrar will be deemed to be delivered, if in writing, addressed as provided below and if (a) actually received by such addressee, or (b) in the case of mailing, when indicated to have been delivered by a signed receipt returned by the United States Post Office after deposit in the United States mails, postage and registry fees prepaid, and clearly directed to be transmitted as registered or certified mail, to Pender County, Attention: County Manager, Re: Notice under Water Revenue Bond Order, Post Office Box 1578, Burgaw, NC 28425.

The County may designate an additional or alternate address for notices by notice given under this Bond Order.

The County shall promptly upon receipt send a copy of any notice or other communication so received to the LGC at the following address: North Carolina Local Government Commission, Attention: Secretary of the Commission, Re: Notice for Pender County --- Water Revenue Bond, Albemarle Building, 325 North Salisbury Street, Raleigh, NC 27603.

8.08. Execution of Instruments by Holders and Proof of Ownership of Bonds. Any request, direction, consent or other instrument in writing required or permitted by this Bond Order to be signed or executed by Holders may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Holders in person or by agent appointed by an instrument in writing. Proof of the execution of any such instrument and of the ownership of Bonds shall be sufficient for any purpose of this Bond Order, and shall be conclusive in favor of the Registrar with regard to any action taken by it under such instrument, if in accordance with the registration books.

Any request or consent of the Holder of any Bond shall bind every future Holder of the same Bond in respect of anything done by the Registrar in pursuance of such request or consent.

8.09. Parties Interested Herein. Except as otherwise expressly provided in this Bond Order, nothing in this Bond Order expressed or implied is intended or shall be construed to confer upon any person, firm or corporation other than the County, the Registrar and the Holders of the Bonds issued under and secured by this Bond Order any right, remedy or claim, legal or equitable, under or by reason of this Bond Order or any provision hereof, this Bond Order and all its provisions being intended to be and being for the sole and exclusive benefit of the parties hereto and the Holders from time to time of the Bonds issued hereunder.

8.10. Indemnification. To the extent permitted by law, the County shall indemnify, defend, protect and save the Bondholders and all their representatives harmless from all liability, obligations, losses, claims, damages, actions, suite, proceedings, costs and expenses, including attorneys' fees, arising out of, connected with, or resulting directly or indirectly from the Project or the System or the transactions contemplated by this Bond Order, including without limitation, the possession, condition, construction or use of the Project or the System. The indemnification arising under this Section shall survive the payment of the Initial Bond in full.

8.11. Limitation of Officials' Liability. No covenant, condition or agreement contained in this Bond Order will be deemed to be a covenant, agreement or obligation of a present or future member, officer, employee or agent of the County or the LGC in such person's individual capacity, and no County or LGC officer will be liable personally on any Bonds or be subject to any personal liability or accountability by reason of the issuance thereof. No County or LGC officer, employee or agent will incur any personal liability with respect to any other action taken by such person pursuant to this Bond Order, provided such person acts in good faith. No recourse may be had by any Bondholder for any claims based on this Bond Order or otherwise against the LGC or any member, officer, employee or agent of the LGC in such person's individual capacity, with all such liabilities, if any, being expressly waived and released.

8.12. Severability. The provisions of this Bond Order are severable. If any court of competent jurisdiction holds any provision of this Bond Order to be invalid and unenforceable, such holding will not invalidate any other provision of this Bond Order.

8.13. Applicable Law. The County intends that North Carolina law will govern all matters pertaining to this Bond Order and the Bonds.

8.14. Headings, etc. Any headings preceding the texts hereof and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Bond Order, nor shall they affect its meaning, construction or effect.

8.15. Authority and Mandate of Officers. The County's officers and agents are hereby authorized and directed to do all the acts and things required of them by the Bonds and this Bond Order for the full, punctual and complete performance of all of the terms, covenants, provisions and agreements contained in the Bonds and this Bond Order.

8.16. Conditions Precedent. Upon the issuance of the Initial Bond all acts conditions, and things required by the Constitution and statutes of the State or this Bond Order to happen, exist and to be performed precedent to or in the issuance of the Initial Bond will have happened, exist and have been performed.

8.17. Successors and Assigns. All the County's covenants, stipulations, promises and agreements contained in this Bond Order will bind and inure to the benefit of its successors and assigns, whether so expressed or not.

8.18. Definitions. For the purposes of this Bond Order, terms with initial capital letters not otherwise defined will have the meanings assigned to them in Exhibit B.

8.19. County Officials To Complete Closing. (a) The Board authorizes and directs the County Manager and all other County officers to take all appropriate action to complete the

issuance of the Initial Bond to the Government in accordance with this Bond Order. The Board authorizes and directs the County Manager to hold executed copies of all financing documents authorized or permitted by this Bond Order in escrow on the County's behalf until the conditions for their delivery have been completed to such officer's satisfaction, and thereupon to release the executed copies of such documents for delivery to the appropriate persons or organizations.

(b) Without limiting the generality of the foregoing, the Board specifically authorizes the County Manager to approve changes to any agreements and any certifications previously signed by County officers or employees, provided that such changes do not conflict with this Bond Order or substantially alter the intent of such documents from that expressed in the form originally signed. The County Manager's authorization of the release of any such document for delivery will constitute conclusive evidence of such officer's approval of any such changes.

(c) All County officers and employees are authorized and directed to take all such further action as they may consider necessary or desirable in furtherance of the issuance of the Initial Bond and the purposes of this Bond Order. All such prior actions of County officers and employees are ratified, approved and confirmed. Upon the absence, unavailability or refusal to act of the Chairman, the County Manager or the Finance Officer, any other of such officers may assume any responsibility or carry out any function assigned in this Bond Order. In addition, the Chairman Pro Tem or any Deputy or Assistant County Clerk may assume any responsibility or carry out any function assigned to the Chairman or the Clerk, respectively, in this resolution.

8.20. Effective Date; Repealer. This Bond Order takes effect immediately. All other Board proceedings, or parts thereof, in conflict with this Bond Order are repealed, to the extent of the conflict.

I certify as follows: that the foregoing Bond Order (which includes the attached Exhibits A and B) was properly adopted at a meeting of the Board of Commissioners of the Pender County, North Carolina; that such meeting was properly called and held on September 20, 2010; that a quorum was present and acting throughout such meeting; and that such Bond Order has not been modified or amended, and remains in full effect as of today.

Dated this _____ day of September, 2010.

[SEAL]

Clerk, Board of Commissioners
Pender County, North Carolina

Exhibit A --- Form of Initial Bond

REGISTERED BOND WITHOUT COUPONS

(Registered as to both principal and interest)

No. R-1

\$4,955,000

UNITED STATES OF AMERICA

STATE OF NORTH CAROLINA

PENDER COUNTY

Water Revenue Bond, Series 2012

Pender County, North Carolina (the "County"), for value received, hereby acknowledges itself indebted and promises to pay, solely from the Net Revenues and other funds described below and pledged to the payment hereof, to the

UNITED STATES OF AMERICA

acting by and through Rural Utilities Service, an agency of the United States Department of Agriculture (the "Government"), its successors and its registered assigns (the "Bondholder"), the principal sum of

FOUR MILLION NINE HUNDRED FIFTY-FIVE THOUSAND DOLLARS (\$4,955,000)

in annual installments on June 1 in years and amounts as follows:

<u>Year</u>	<u>Amount(\$)</u>	<u>Year</u>	<u>Amount(\$)</u>	<u>Year</u>	<u>Amount(\$)</u>
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subject to prepayment as described herein, and to pay, solely from such source, to the registered owner of this Bond interest on the unpaid principal from the date of the Bond until payment of the entire principal sum at the annual rate of 3.375%, such interest being payable on June 1, _____, and annually thereafter on each June 1. Principal and interest are payable in lawful money of the United States of America.

This Bond has been authorized by a bond order adopted by the County's Board of Commissioners on September 20, 2010 (the "Bond Order"), and is issued to provide funds, to be used together with other available funds, to pay costs of the acquisition and construction of improvements to the County's public water system.

This Bond is a limited obligation of the County, payable as to both principal and interest solely from the Net Revenues and other funds pledged thereto in the Bond Order. Nothing herein or in the Bond Order shall be deemed to create or constitute a pledge of the faith and credit of the State of North Carolina or of any county, city, town or other political subdivision of

the State. Reference is hereby made to the Bond Order and any amendments thereto for the provisions, among others, describing the pledge and covenants securing the Bond, the nature and extent of the security, the terms and conditions upon which the Bond is issued, the County's rights and obligations and the rights of the bondholder. A copy of the Bond Order is on file with the Clerk of the County's governing Board of Commissioners at the County's office in Burgaw, North Carolina.

While the Government is the registered owner of this Bond, the County may prepay principal of this Bond, in whole or in part at any time at the County's option, without premium, upon 30 days' notice to the registered owner. Any prepayment will be applied first to any accrued and unpaid interest and then to installments of principal in inverse order of maturity. No such prepayment shall in any way affect the County's obligation to pay when due the remaining scheduled installments of principal of and interest on this Bond. On any date designated for prepayment, notice having been given and moneys for the payment of the prepayment price being held in trust for such purpose, this Bond (or the applicable portions hereof) becomes due and payable, and the interest on this Bond or the portion so prepaid ceases to accrue.

Additional obligations secured equally and ratably with this Bond may be issued from time to time under the conditions, limitations and restrictions set forth in the Bond Order.

This Bond is registered as to both principal and interest. The County's Finance Officer has been appointed Registrar for the Bond and charged with the responsibility for maintaining appropriate registration books and records indicating ownership of the Bond. The County shall treat the registered owner of this Bond as the person exclusively entitled to payment of principal and interest and the exercise of all other rights and powers of the owner, except that interest payments shall be made to the person shown as owner on the registration books on the 15th day of the month preceding each interest payment date (whether or not such 15th day is a business day).

The registered owner of this Bond may register the transfer of the ownership hereof only by delivery to the Registrar of an assignment, in form and substance reasonably acceptable to the Registrar, that has been executed by the registered owner or its duly authorized attorney or legal representative. Upon receipt of such an assignment, the Registrar shall register this Bond as to both principal and interest on the County's registration books in the name of the transferee named in such assignment.

The Registrar will not, however, register the transfer of this Bond, or any portion hereof, to any person other than a bank, an insurance company or a similar financial institution unless the North Carolina Local Government Commission has previously approved such transfer. In addition, the Registrar is not required to make any such registration of transfer of Bonds during the fifteen (15) days immediately preceding an interest payment date on the Bonds or, in the case of any proposed redemption of Bonds, after a notice of redemption has been sent to the registered owner.

So long as the Government is the registered owner of the Initial Bond, installments will be payable in such fashion, including automatic debiting, as the Government may determine. If the Government is no longer the registered owner of any portion of the Initial Bond, installments will be payable by check or draft mailed on the payment date to the registered owner of the Initial Bond at its address as it appears on the registration books kept by the Registrar, except

that the final installment will be payable upon presentation and surrender of the Initial Bond to the Registrar at the County's office in Burgaw, North Carolina.

The County has designated this Bond as a "qualified tax-exempt obligation" for the purpose of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

This Bond is issued with the intent that North Carolina law will govern its interpretation.

All acts, conditions and things required by the Constitution and laws of the State of North Carolina to happen, exist or be performed precedent to and in the issuance of this Bond have happened, exist and have been performed, and the issue of Bonds of which this Bond is one, together with all other County indebtedness, is within every debt and other limit prescribed by the Constitution and laws of the State of North Carolina.

IN WITNESS WHEREOF, the County has caused this Bond to be signed by the Chairman of its Board of Commissioners, its seal to be affixed hereto and attested by the Clerk of such Board, and this Bond to be dated _____, 2012.

[SEAL]

ATTEST:

**PENDER COUNTY,
NORTH CAROLINA**

By: *[sample only do not sign]*
[name]
Clerk, Board of Commissioners

By: *[sample only do not sign]*
[name]
Chairman, Board of Commissioners

CERTIFICATE OF LOCAL GOVERNMENT COMMISSION

The issuance of the within Bond has been approved under the provisions of The State and Local Government Revenue Bond Act, Article 5, Chapter 159 of the North Carolina General Statutes, as amended.

Local Government Commission of North Carolina

T. Vance Holloman
Secretary, North Carolina
Local Government Commission

By _____
[T. Vance Holloman or
Designated Assistant]

ASSIGNMENT

FOR VALUE RECEIVED the undersigned registered owner of this Bond hereby sells, assigns, and transfers unto _____ the within bond and all rights thereunder and hereby irrevocably constitutes and appoints _____ attorney to register the transfer of said bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signed: _____
Registered Owner

NOTICE: The assignor's signature to this assignment must correspond with the name as it appears on the face of the within bond in every particular, without alteration or enlargement or any change whatever.

Exhibit B – Definitions

Whenever used in this Bond Order, unless a different meaning clearly appears from the context:

“Act” means The State and Local Government Revenue Bond Act, constituting Article 5 of Chapter 159 of the General Statutes of North Carolina, as amended.

"Act of Bankruptcy" means (a) the County's filing of a voluntary petition for relief under any bankruptcy or similar law, (b) the County's admission of insolvency, or the County's general failure to pay its debts as they become due, (c) the filing of an involuntary petition for relief against the County as a debtor under any bankruptcy or similar law, and the County's failure to have such petition dismissed within 30 days of its filing, or (d) the filing of any petition for the appointment of a receiver for the System or the System Revenues, or any similar petition, and the County's failure to have such petition dismissed within 30 days of its filing.

"Additional Bonds" means any bonds or other obligations secured in whole or in part by a lien on Net Revenues on a parity with the lien on Net Revenues securing the Initial Bond.

“Annual Budget” means any budget or amended budget of Operating Expenses adopted or in effect pursuant to Section 5.07.

“Appropriate Consultant” means an engineer or engineering firm or consultants otherwise experienced in matters relating to water revenue bonds (including but not limited to officials of the North Carolina Rural Water Association or its successors) at the time employed by the County to perform the functions and duties imposed on an Appropriate Consultant by this Bond Order.

“Board” means the County’s governing body as from time to time constituted.

“Bond” or “Bonds” means any bond or bonds authorized by this Bond Order, and includes the Initial Bond and any Additional Bonds issued in accordance with this Bond Order, and also includes any Bond Anticipation Notes.

“Bondholder” or “Holder” or any similar term, when used with reference to a Bond or Bonds means any person who shall be the registered owner of any outstanding Bond or Bonds.

“Bond Anticipation Notes” means any notes issued under the authority of Section 2.05.

“Bond Order” means this Bond Order, as it may be from time to time properly amended or supplemented.

“Capital Reserve Fund” means the account so designated by Section 3.05.

“Closing Date” means the date the Initial Bond is first delivered to the Government in exchange for the purchase price thereof.

“Counsel” means an attorney or firm of attorneys selected by the County.

“County” means the Pender County, North Carolina, or any successor to its functions.

“County Representative” means the Chairman, the County Manager or the Finance Officer, or any other person or persons at the time designated, by a written certificate of the County signed by the Chairman and containing the specimen signature of such person or persons, to act on the County’s behalf for the purpose of performing any act (or any specified act) under this Bond Order.

“Debt Service Fund” means the fund or account so designated by Section 3.05.

“Debt Service Requirement” means, with respect to any Fiscal Year, the amount required to pay the principal of and interest on the Bonds and the Other Debt Obligations in such Fiscal Year, the computation of such amount to be based on the assumptions that (a) all principal will be paid according to its stated maturities or mandatory redemption requirements and (b) if any obligation bears interest at a variable rate, the rate is the ceiling rate. For any Bond Anticipation Note, the “Debt Service Requirement” is to be calculated only on the basis of the interest due in such Fiscal Year, so long as there is no existing default on the payment of principal of such Bond Anticipation Note.

“Debt Service Reserve Fund” means the account so designated by Section 3.05.

“Debt Service Reserve Requirement” means a sum equal to the average amount payable on the Initial Bond for principal and interest in the then-current or any future Fiscal Year, plus any additional amounts required by supplements or amendments to this Bond Order, but reduced by any amounts the County certifies it reasonably expects to receive from the United States or any other governmental entity as a subsidy toward the payment of interest payments on Bonds or Other Debt Obligations (for example, such as on debt obligations that may qualify as “build America bonds” under the Code).

“Depository” means any bank or trust company duly authorized under the laws of the United States of America or the State to engage in the banking business within said State and designated by the County as a depository of moneys under the provisions of this Bond Order.

“Finance Officer” means the statutory finance officer of the County.

“Fiscal Year” means the period of twelve months commencing on July 1 of any year and ending on June 30 of the following year, or any such other annual period permitted by State law.

“General Obligation System Bonds” means bonds or other debt obligations of the County, whether now outstanding or hereafter issued, the proceeds of which are or have been used to finance the acquisition or construction of any portion of the System, and which obligations are secured by a pledge of the County’s full faith and credit.

“Government” means the United States of America, acting by and through Rural Utilities Service, an agency of the United States Department of Agriculture, as the purchaser of the Initial Bond.

“Identifiable Bondholder” means any Holder who shall have filed with the Registrar a request in writing setting forth such Holder’s name and address and the particular reports, notices or other documents which the Holder desires to receive and which shall be mailed to the Holder under the provisions of this Bond Order.

"Initial Bond" means the County's \$4,955,000 water revenue bond issued as the initial bond under this Bond Order pursuant to Article I.

"Installment Financing" means any installment financing, lease-purchase or other obligation incurred or contracted by the County to finance the acquisition or construction of System Assets, but excludes any obligations expressly secured by any lien on Net Revenues.

"LGC" means the Local Government Commission of North Carolina, or any successor to its functions.

"Majority Owners" means any registered owner or group of registered owners of Bonds that together own a majority by Outstanding principal amount of the Bonds.

"Net Revenues" for any particular period means the amount of the excess of System Revenues over Operating Expenses for such period.

"Operating Expenses" means the County's reasonable and necessary Operating Expenses of operation, maintenance and repair of the System as determined in accordance with generally accepted accounting principles, except that "Operating Expenses" does not include any allowance for depreciation or any payment of interest on borrowed money. By way of illustration and without limiting the generality of the foregoing, "Operating Expenses" includes all ordinary and usual expenses of operation, maintenance and repair of the System (which may include expenses not annually recurring), premiums for insurance, administrative and engineering expenses relating to operation, maintenance and repair of the System, costs or expenses related to the issuance of Bonds or other financing for the System, any taxes, fees and charges which may be lawfully imposed on the System and operating lease payments.

"Other Debt Obligations" means any debt obligations incurred after the date of the adoption of this Bond Order and in accordance with this Bond Order for the purposes and benefit of the System, other than Bonds. "Other Debt Obligations" may include General Obligation System Bonds, Subordinate Bonds, revenue bond anticipation notes issued pursuant to Section 2.05 and installment financings contracted pursuant to Section 2.06.

"Outstanding," when used with reference to any Bonds, means all Bonds which have been delivered by the County and not yet paid, except the following:

- (a) Bonds cancelled or purchased by or delivered to the County for cancellation;
- (b) Bonds that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which, including interest accrued to the due date, the County or a fiduciary holds sufficient moneys; and
- (c) Bonds in lieu of which others have been authenticated and exchanged.

"Project" means the County's undertaking of improvements to its water system, particularly the construction of a new water treatment plant and associated distribution lines, all as previously approved by the County.

"Project Costs" means all costs of the design, planning, construction, acquisition, installation, equipping and generally carrying out of the Project, as determined in accordance with generally accepted accounting principles, and that will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds, including (a) sums required to reimburse the County for its agents for advances made for any such costs, (b) interest during the construction process and for up to six months thereafter, and (c) all costs related to the financing of the Project through the Bonds and all related transactions.

"Qualified Investments" means any investments permitted to the County under Section 159-30 of the General Statutes of North Carolina, as amended, or any successor provision.

"Registrar" means the County's Finance Officer or any successor as appointed by the County.

"Revenue Fund" means the account so designated by Section 3.05.

"Series Resolution" means the resolution of the County providing for the issuance of any Additional Bonds and fixing the details thereof.

"Service Charges" means rates, fees and charges, including service, connection and other charges, for the use of, and for the services and facilities furnished or to be furnished by the System, as prescribed or fixed by the County.

"State" means the State of North Carolina.

"Subordinate Bonds" means both (a) any bonds, notes or other obligations of the County for purposes of the System that are secured by a lien on Net Revenues which is expressly made subordinate to the lien on Net Revenues securing the Bonds, and (b) obligations incurred by the County to the State as part of the State's water or wastewater revolving loan funds. The term "Subordinate Bonds" does not include any Installment Financing.

"System" means all the County's plants, systems, facilities, equipment or other assets, including both real and personal property, used or useful in the collection, supply, storage, treatment and distribution of water.

"System Assets" means any additions, acquisitions, improvements, betterments, land, buildings, structures or other facilities, including equipment, acquired or constructed, and the preparation and grading of land, relating to the System which are financed by the issuance of obligations which are issued in compliance with the provisions of this Bond Order but which are not, directly or indirectly, secured by or payable from Net Revenues or issued under or secured by the provisions of this Bond Order.

"System Improvements" means any construction, reconstruction, improvement, enlargement, betterment or extension of the System.

"System Revenues" means all income received by the County from, in connection with, or as a result of, its ownership or operation of the System, including all moneys received in payment of rates, fees and other charges for the use of and for the services furnished by the System and investment income, but excluding the proceeds of any borrowing for payment of the costs of, or grants or donations intended for, specific System Improvements.

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, the words "owner", "Holder" and "person" shall include corporations and associations, including public bodies, as well as natural persons.