



REQUEST FOR BOARD ACTION

ITEM NO. 13.

DATE OF MEETING: May 16, 2011

REQUESTED BY: Michael G. Mack, Director, PCU

SHORT TITLE: Resolution by the Scott's Hill Water and Sewer District Board of Directors Approving the Issuance of General Obligation Water Bonds in the Amount of \$2,711,000 for the Permanent Financing of the Scott's Hill Water Distribution System.

BACKGROUND: At a referendum held on November 7, 2006, the voters of Scott's Hill Water and Sewer District (the "District") authorized the issuance of up to \$4,000,000 of District General Obligation Water Bonds to pay costs of water system improvements.

The Board of Commissioners (the "Board") of Pender County, North Carolina (the "County"), as the District's governing body, determined to issue a series of bond anticipation notes to provide preliminary funding for water projects in anticipation of the later issuance of a portion of the bonds authorized at the 2006 referendum (the "Water Bonds").

This resolution authorizes the issuance of the 2011 Water Bonds in the amount of \$2,711,000 to retire the 2010 Water Bond Anticipation Notes and thereby provide permanent financing for the project. The United States of America, acting by and through Rural Utilities Services, an agency of the United States Department of Agriculture (the "Government"), has offered to purchase such bonds. Attached are the details of the resolution and an example of the General Obligation Water Bond.

SPECIFIC ACTION REQUESTED: To consider a resolution approving the Issuance of General Obligation Water Bonds in the amount of \$2,711,000 to pay, in full, the principal of the 2010 Note at its maturity for the permanent financing of the Scott's Hill Water Distribution System.

COUNTY MANAGER'S RECOMMENDATION

Respectfully recommend approval.

RTB
Initial

RESOLUTION

NOW, THEREFORE BE IT RESOLVED by the Board of Directors of the Scotts Hill Water and Sewer District that

the attached resolution for the issuance of General Obligation Water Bonds to retire the 2010 Note at maturity and provide permanent financing in the amount of \$2,711,000 for the Scott's Hill Water Distribution System is approved.

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

AMENDMENTS:

MOVED _____ SECONDED _____

APPROVED _____ DENIED _____ UNANIMOUS

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

George R. Brown, Chairman 05/16/11
Date

ATTEST 05/16/11
Date

**RESOLUTION FOR A BOND SALE
BY SCOTT'S HILL WATER & SEWER DISTRICT**

WHEREAS --

The voters of Scott's Hill Water & Sewer District (the "District"), on November 7, 2006, approved the issuance of up to \$4,000,000 of the District's general obligation bonds (the "Water Bonds") to pay capital costs of providing water system improvements (the "Project"). None of such bonds have yet been issued and sold.

The District has previously issued its \$2,711,000 Water Bond Anticipation Note, Series 2010 (the "2010 Note"), to provide interim construction financing for the Project.

The District has now determined to issue \$2,711,000 of the Water Bonds to retire the 2010 Note and thereby provide permanent financing for the Project. The United States of America, acting by and through Rural Utilities Service, an agency of the United States Department of Agriculture (the "Government"), has offered to purchase such bonds. The District has determined to accept that offer.

BE IT THEREFORE RESOLVED by the Board of Commissioners of Pender County, North Carolina, as the governing body of Scott's Hill Water & Sewer District, as follows:

1. **Determination To Sell Water Bonds** - The District will issue and sell \$2,711,000 of the unissued water bonds (the "2011 Bonds") for their authorized purpose. The proceeds from the sale of the 2011 Bonds will be used to pay, in full, the principal of the 2010 Note at its maturity.

2. **Sale to the Government** -- The District asks the North Carolina Local Government Commission (the "LGC") to sell the 2011 Bonds to the Government at a private sale, substantially in accordance with the terms of this resolution and the financing commitment previously provided by the Government.

3. **Principal and Interest Payments** -- Principal of the 2011 Bonds will be payable on June 1 in years and amounts as shown on Exhibit A. The 2011 Bonds will bear interest at the annual rate of 4.125%. Interest on the 2011 Bonds will be payable annually on each June 1, beginning June 1, 2012. Principal and interest are payable in lawful money of the United States.

4. **Pledge of Faith, Credit and Taxing Power** -- The District's full faith and credit are hereby irrevocably pledged for the payment of the principal of and interest on the 2011 Bonds. Unless other funds are lawfully available and appropriated for timely payment of the 2011 Bonds, the District will levy and collect an annual ad valorem tax,

without restriction as to rate or amount, on all locally taxable property in the District sufficient to pay the principal of and interest on the 2011 Bonds as the same become due.

5. **Prepayment** -- The District may prepay principal installments of the 2011 Bonds in whole or in part at any time at the District's option, without premium. 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 District's obligation to pay when due the remaining scheduled installments of principal of and interest on the 2011 Bonds. 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 2011 Bonds or the applicable portions thereof becomes due and payable, and the interest on the 2011 Bonds or portions thereof so prepaid will cease to accrue.

6. **Form of Bonds** -- The 2011 Bonds will be issued initially as a single fully registered bond in the principal amount of \$2,711,000. This Bond will be dated the date of its initial delivery to the Government, will be numbered R-1, will be in substantially the form set out in Exhibit B and will be designated "General Obligation Water Bond, Series 2011."

The 2011 Bonds must be signed by the manual or facsimile signature of this Board's Chairman or the Pender County Manager. The Pender County seal must be affixed thereto or a facsimile thereof printed thereon and attested by the manual or facsimile signature of the Board's Clerk or any Assistant Clerk. No Bond will be valid unless at least one of the signatures appearing on such Bond is manually applied or until such Bond has been authenticated by the manual signature of an authorized officer or employee of a bond registrar selected by the District; the manual signature may be the signature of an LGC official that is required by law to appear on the Bond.

7. **Finance Officer as Registrar; Payments to Registered Owners** -- (a) The Pender County Finance Officer is appointed Registrar for the 2011 Bonds. As Registrar, the Finance Officer will maintain appropriate books and records of the ownership of the 2011 Bonds. The District will treat the registered owner of each 2011 Bond as the person exclusively entitled to payment of principal and interest and the exercise of all rights and powers of the owner, except that principal and interest payments will be made to the person shown as owner on the District's registration books at the close of business on the 15th day (whether or not a business day) of the month preceding the payment date.

(b) Any registered owner of 2011 Bonds may register the transfer of the ownership of such 2011 Bonds only by delivery to the Registrar of an assignment, in form and substance reasonably acceptable to the Registrar, that has been executed by such registered owner or its duly authorized attorney or legal representative. Upon receipt of such an assignment, the Registrar will register the 2011 Bonds as to both principal and interest on the registration books in the name of the transferee named in such assignment.

Upon the Government's request, the 2011 Bonds will be issued as, or exchanged for, 2011 Bonds in fully-registered form in denominations of \$500 and integral multiples thereof numbered from XR-1 upward for identification purposes.

(c) So long as the Government is the registered owner of the 2011 Bonds, principal and interest installments will be payable in such fashion, including automatic debiting, as the Government may determine. For any portion of the 2011 Bonds for which the Government is no longer the registered owner, installments will be payable by check or draft mailed on the payment date to the registered owner of the 2011 Bonds at its address as it appears on the registration books kept by the Registrar, except that the final installment of all the 2011 Bonds will be payable upon presentation and surrender of the 2011 Bonds to the Registrar at the offices of Pender County, North Carolina (the "County") in Burgaw, North Carolina, or at such successor office as the Registrar may designate in writing to the registered owners of the 2011 Bonds.

8. Finance Officer To Complete Closing - After the sale of the 2011 Bonds, the County Finance Officer and all other County and District officers and employees are authorized and directed to take all proper steps to have the 2011 Bonds prepared and executed in accordance with their terms and to deliver the 2011 Bonds to the Government upon payment for the 2011 Bonds.

The Finance Officer is authorized and directed to hold the executed 2011 Bonds, and any other documents authorized or permitted by this resolution, in escrow on the District's behalf until the conditions for the delivery of the 2011 Bonds and other documents have been completed to the Finance Officer's satisfaction, and thereupon to release the executed 2011 Bonds and other documents for delivery to the appropriate persons or organizations.

Without limiting the generality of the foregoing, this authorization and direction is specifically extended to authorize the Finance Officer to approve changes to any documents or closing certifications previously signed by District officers or employees, provided that the 2011 Bonds must be in substantially the form approved by this resolution and that any such changes must not substantially alter the intent of such certificates from that expressed in the forms of such certificates as executed by such officers or employees. The Finance Officer's authorization of the release of any such document for delivery will constitute conclusive evidence of such officer's approval of any such changes.

In addition, the Finance Officer is authorized and directed to take all appropriate steps for the efficient and convenient carrying out of the District's on-going responsibilities with respect to the 2011 Bonds. This authorization includes, without limitation, contracting with third parties for reports and calculations that may be required under the 2011 Bonds, this resolution or otherwise with respect to the 2011 Bonds.

9. Resolutions As To Tax Matters -- The District will not take or omit to take any action the taking or omission of which will cause the 2011 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 2011 Bonds to be includable in gross income for federal income tax purposes. Without limiting the generality of the foregoing, the District will comply with any Code provision that may require the District at any time to pay to the United States any part of the earnings derived from the investment of the proceeds of the 2011 Bonds, and the District will pay any such required rebate from its general funds. For this paragraph, "Code" means the United States Internal Revenue Code of 1986, as amended, including applicable Treasury regulations.

10. 2011 Bonds Are Not "Bank-Qualified" Obligations -- The District determines that the 2011 Bonds are not to be designated as "qualified tax-exempt obligations" for the purpose of Code Section 265(b)(3).

11. Obligation to Refinance -- The District shall refinance the unpaid principal balance of any 2011 Bonds as to which the Government is the registered owner upon the Government's request, if at any time it appears to the Government that the District 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.

12. Miscellaneous Provisions -- All District and County officers and employees are authorized and directed to take all such further action as they may consider necessary or desirable in connection with the furtherance of the purposes of this resolution. All such prior actions of District and County officers and employees are ratified, approved and confirmed. Upon the absence, unavailability or refusal to act of the Board's Chairman, the County Manager or the County Finance Officer, any of such officers may assume any responsibility or carry out any function assigned to another officer in this resolution. In addition, the Vice Chairman or any Deputy or Assistant Clerk may assume any responsibility or carry out any function assigned to the Chairman or the Clerk of the Board of Commissioners, respectively, in this resolution. All other resolutions, or parts thereof, in conflict with this resolution are repealed, to the extent of the conflict. This resolution takes effect immediately.

* * * * *

I certify as follows: that the foregoing resolution (which includes the attached Exhibits A and B) was properly adopted at a meeting of the Board of Commissioners of Pender County, North Carolina; that such meeting was properly called and held on May 16, 2011; that a quorum was present and acting throughout such meeting; and that such resolution has not been modified or amended, and remains in full effect as of today.

Dated this ____ day of _____, 2011.

[SEAL]

Clerk, Board of Commissioners
Pender County, North Carolina

Exhibit A – Principal Payment Schedule

Year (June 1)	Principal Amount (\$)	Year (June 1)	Principal Amount (\$)
2014	32,000	2033	67,000
2015	32,000	2034	70,000
2016	34,000	2035	73,000
2017	35,000	2036	76,000
2018	37,000	2037	79,000
2019	38,000	2038	82,000
2020	40,000	2039	86,000
2021	41,000	2040	89,000
2022	43,000	2041	93,000
2023	45,000	2042	97,000
2024	47,000	2043	101,000
2025	49,000	2044	105,000
2026	51,000	2045	109,000
2027	53,000	2046	114,000
2028	55,000	2047	118,000
2029	57,000	2048	123,000
2030	59,000	2049	128,000
2031	62,000	2050	128,000
2032	64,000	2051	99,000

EXHIBIT B - Form of Bond

REGISTERED BOND WITHOUT COUPONS

(Registered as to both principal and interest)

No. R-1

\$2,711,000

UNITED STATES OF AMERICA

STATE OF NORTH CAROLINA

SCOTT'S HILL WATER & SEWER DISTRICT

General Obligation Water Bond, Series 2011

SCOTT'S HILL WATER & SEWER DISTRICT (the "District"), for value received, hereby acknowledges itself indebted and promises to pay 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

*****TWO MILLION SEVEN HUNDRED ELEVEN THOUSAND DOLLARS***
(\$2,711,000)**

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

Year (June 1)	Principal Amount (\$)	Year (June 1)	Principal Amount (\$)
2014	32,000	2033	67,000
2015	32,000	2034	70,000
2016	34,000	2035	73,000
2017	35,000	2036	76,000
2018	37,000	2037	79,000
2019	38,000	2038	82,000
2020	40,000	2039	86,000
2021	41,000	2040	89,000
2022	43,000	2041	93,000
2023	45,000	2042	97,000
2024	47,000	2043	101,000
2025	49,000	2044	105,000
2026	51,000	2045	109,000

2027	53,000	2046	114,000
2028	55,000	2047	118,000
2029	57,000	2048	123,000
2030	59,000	2049	128,000
2031	62,000	2050	128,000
2032	64,000	2051	99,000

subject to prepayment as described below, and to pay 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 4.125%, such interest being payable on June 1, 2012, and annually thereafter on each June 1. Principal and interest are payable in lawful money of the United States of America.

The District's full faith and credit are irrevocably pledged for the payment of the principal and interest on this Bond.

This Bond has been authorized by a bond order adopted by the Board of Commissioners of Pender County, North Carolina, as the District's governing body (the Board"), and approved by the voters of the District, and then a resolution adopted by the Board on May 16, 2011 (the "Bond Resolution"). This Bond 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 District's public water system.

The District may prepay principal of this Bond, in whole or in part at any time at the District's option, without premium. 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 District'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.

This Bond is registered as to both principal and interest. The Pender County 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 District 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 principal and interest payments will be made to the person shown as owner on the District's registration books at the close of business on the 15th day (whether or not a business day) of the month preceding the payment date.

The registered owner of this Bond may register the transfer of the ownership of the Bond 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 District's registration books in the name of the transferee named in such assignment.

So long as the Government is the registered owner of this Bond, installments will be payable in such fashion, including automatic debiting, as the Government may determine. For any portion of this Bond for which the Government is no longer the registered owner, installments will be payable by check or draft mailed on the payment date to such alternate registered owner at its address as it appears on the registration books kept by the Registrar, except that the final installment of all the will be payable upon presentation and surrender of the this Bond to the Registrar at the offices of Pender County, North Carolina, in Burgaw, North Carolina, or at such successor office as the Registrar may designate in writing to the registered owners of the Bond.

The District has determined not to designate 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.

The District intends that North Carolina law will govern the interpretation of this Bond.

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 District indebtedness, is within every debt and other limit prescribed by the Constitution and laws of the State of North Carolina.

IN WITNESS WHEREOF, the Board of Commissioners of Pender County, North Carolina, as the governing body of Scott's Hill Water & Sewer District, has caused this Bond to signed by its Chairman of its Board of Commissioners, the County's seal to be affixed hereto and attested by the Clerk to such Board, and this Bond to be dated June 6, 2011.

ATTEST:	(SEAL)	
<p align="center"><i>[Sample only - do not sign]</i> Clerk, Board of Commissioners Pender County, North Carolina</p>		<p align="center"><i>[Sample only - do not sign]</i> Chairman, Board of Commissioners Pender County, North Carolina</p>

CERTIFICATE OF LOCAL GOVERNMENT COMMISSION

The issuance of the within Bond has been approved by the North Carolina Local Government Commission in accordance with the Local Government Bond Act.

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.

**[General Obligation Water Bond, Series 2011,
of Scott's Hill Water & Sewer District]**

USDA
Form RD 400-4
(Rev. 3-97)

ASSURANCE AGREEMENT
(Under Title VI, Civil Rights Act of 1964)

FORM APPROVED
OMB No. 0575-0018

The SCOTTS HILL WATER AND SEWER DISTRICT
(name of recipient)
P O BOX 5, BURGAW, NC 28425
(address)

("Recipient" herein) hereby assures the U. S. Department of Agriculture that Recipient is in compliance with and will continue to comply with Title VI of the Civil Rights Act of 1964 (42 USC 2000d et. seq.), 7 CFR Part 15, and Rural Housing Service, Rural Business-Cooperative Service, Rural Utilities Service, or the Farm Service Agency, (hereafter known as the "Agency") regulations promulgated thereunder, 7 C.F.R. §1901.202. In accordance with that Act and the regulations referred to above, Recipient agrees that in connection with any program or activity for which Recipient receives Federal financial assistance (as such term is defined in 7 C.F.R. §14.2) no person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination.

1. Recipient agrees that any transfer of any aided facility, other than personal property, by sale, lease or other conveyance of contract, shall be, and shall be made expressly, subject to the obligations of this agreement and transferee's assumption thereof.
2. Recipient shall:
 - (a) Keep such records and submit to the Government such timely, complete, and accurate information as the Government may determine to be necessary to ascertain our/my compliance with this agreement and the regulations.
 - (b) Permit access by authorized employees of the Agency or the U.S. Department of Agriculture during normal business hours to such books, records, accounts and other sources of information and its facilities as may be pertinent to ascertaining such compliance.
 - (c) Make available to users, participants, beneficiaries and other interested persons such information regarding the provisions of this agreement and the regulations, and in such manner as the Agency or the U.S. Department of Agriculture finds necessary to inform such persons of the protection assured them against discrimination.
3. The obligations of this agreement shall continue:
 - (a) As to any real property, including any structure, acquired or improved with the aid of the Federal financial assistance, so long as such real property is used for the purpose for which the Federal financial assistance is made or for another purpose which affords similar services or benefits, or for as long as the Recipient retains ownership or possession of the property, whichever is longer.
 - (b) As to any personal property acquired or improved with the aid of the Federal financial assistance, so long as Recipient retains ownership or possession of the property.
 - (c) As to any other aided facility or activity, until the last advance of funds under the loan or grant has been made.
4. Upon any breach or violation this agreement the Government may, at its option:
 - (a) Terminate or refuse to render or continue financial assistance for the aid of the property, facility, project, service or activity.
 - (b) Enforce this agreement by suit for specific performance or by any other available remedy under the laws of the United States or the State in which the breach or violation occurs.

Rights and remedies provided for under this agreement shall be cumulative.

In witness whereof, SCOTTS HILL WATER AND SEWER DISTRICT on this
(name of recipient)

date has caused this agreement to be executed by its duly authorized officers and its seal affixed hereto, or, if a natural person, has hereunto executed this agreement.

(SEAL)

MAY , 2011

Recipient

Date

Attest: RICK BENTON, CLERK TO THE BOARD *Title*

GEORGE BROWN, JR., CHAIRMAN,

Title

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0570-0018. The time required to complete this information is estimated to average 15 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

Note: This Loan Resolution in the amount of \$2,711,000 replaces the original Loan Resolution dated ^{Position 5} 10-15-2009 in the amount of \$3,067,000.

RUS BULLETIN 1780-27

APPROVED
OMB. No. 0575-0015

(Automated 8-97)

LOAN RESOLUTION
(Public Bodies)

BOARD OF DIRECTORS

A RESOLUTION OF THE _____

SCOTT'S HILL WATER AND SEWER DISTRICT

OF THE _____

AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING A PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS WATER

FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO SERVE.

WHEREAS, it is necessary for the _____

SCOTT'S HILL WATER AND SEWER DISTRICT

(Public Body)

(herein after called Association) to raise a portion of the cost of such undertaking by issuance of its bonds in the principal amount of

TWO MILLION SEVEN HUNDRED ELEVEN THOUSAND AND 00/100 DOLLARS (\$2,711,000.00)

pursuant to the provisions of _____

NC GENERAL STATUTES

; and

WHEREAS, the Association intends to obtain assistance from the United States Department of Agriculture, (herein called the Government) acting under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) in the planning, financing, and supervision of such undertaking and the purchasing of bonds lawfully issued, in the event that no other acceptable purchaser for such bonds is found by the Association:

NOW THEREFORE, in consideration of the premises the Association hereby resolves:

1. To have prepared on its behalf and to adopt an ordinance or resolution for the issuance of its bonds containing such items and in such forms as are required by State statutes and as are agreeable and acceptable to the Government.
2. To refinance the unpaid balance, in whole or in part, of its bonds upon the request of the Government if at any time it shall appear to the Government that the Association is able to refinance its bonds by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time as required by section 333(c) of said Consolidated Farm and Rural Development Act (7 U.S.C. 1983(c)).
3. To provide for, execute, and comply with Form RD 400-4, "Assurance Agreement," and Form RD 400-1, "Equal Opportunity Agreement," including an "Equal Opportunity Clause," which clause is to be incorporated in, or attached as a rider to, each construction contract and subcontract involving in excess of \$10,000.
4. To indemnify the Government for any payments made or losses suffered by the Government on behalf of the Association. Such indemnification shall be payable from the same source of funds pledged to pay the bonds or any other legal ly permissible source.
5. That upon default in the payments of any principal and accrued interest on the bonds or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Association (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Association, and default under any such instrument may be construed by the Government to constitute default hereunder.
6. Not to sell, transfer, lease, or otherwise encumber the facility or any portion thereof, or interest therein, or permit others to do so, without the prior written consent of the Government.
7. Not to defense the bonds, or to borrow money, enter into any contractor agreement, or otherwise incur any liabilities for any purpose in connection with the facility (exclusive of normal maintenance) without the prior written consent of the Government if such undertaking would involve the source of funds pledged to pay the bonds.
8. To place the proceeds of the bonds on deposit in an account and in a manner approved by the Government. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.
9. To comply with all applicable State and Federal laws and regulations and to continually operate and maintain the facility in good condition.
10. To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserves. Revenue accumulated over and above that needed to pay operating and maintenance, debt service and reserves may only be retained or used to make prepayments on the loan. Revenue cannot be used to pay any expenses which are not directly incurred for the facility financed by USDA. No free service or use of the facility will be permitted.

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to Department of Agriculture, Clearance Officer, OIRM, Room 404-W, Washington, DC 20250; and to the Office of Management and Budget, Paperwork Reduction Project (OMB No. 0575-0015), Washington, DC 20503.

- 11. To acquire and maintain such insurance and fidelity bond coverage as may be required by the Government.
- 12. To establish and maintain such books and records relating to the operation of the facility and its financial affairs and to provide for required audit thereof as required by the Government, to provide the Government a copy of each such audit without its request, and to forward to the Government such additional information and reports as it may from time to time require.
- 13. To provide the Government at all reasonable times access to all books and records relating to the facility and access to the property of the system so that the Government may ascertain that the Association is complying with the provisions hereof and of the instruments incident to the making or insuring of the loan.
- 14. That if the Government requires that a reserve account be established, disbursements from that account(s) may be used when necessary for payments due on the bond if sufficient funds are not otherwise available and prior approval of the Government is obtained. Also, with the prior written approval of the Government, funds may be withdrawn and used for such things as emergency maintenance, extensions to facilities and replacement of short lived assets.
- 15. To provide adequate service to all persons within the service area who can feasibly and legally be served and to obtain USDA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the Association or public body.
- 16. To comply with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.
- 17. To accept a grant in an amount not to exceed \$ _____ N/A

under the terms offered by the Government; that the _____ N/A

and _____ N/A _____ of the Association are hereby authorized and empowered to take all action necessary or appropriate in the execution of all written instruments as may be required in regard to or as evidence of such grant; and to operate the facility under the terms offered in said grant agreement(s).

The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instrument, shall be binding upon the Association as long as the bonds are held or insured by the Government or assignee. The provisions of sections 6 through 17 hereof may be provided for in more specific detail in the bond resolution or ordinance; to the extent that the provisions contained in such bond resolution or ordinance should be found to be inconsistent with the provisions hereof, these provisions shall be construed as controlling between the Association and the Government or assignee.

The vote was: Yeas _____ Nays _____ Absent _____

IN WITNESS WHEREOF, the _____ BOARD OF DIRECTORS _____ of the

_____ SCOTT'S HILL WATER AND SEWER DISTRICT _____ has duly adopted this resolution and caused it

to be executed by the officers below in duplicate on this _____, MAY _____ day of _____ 2011

(SEAL) _____
 By _____
 GEORGE BROWN, JR.
 Title _____
 CHAIRMAN

_____ Title _____
 RICK BENTON, CLERK TO THE BOARD

EQUAL OPPORTUNITY AGREEMENT

This agreement, dated _____ between

SCOTTS HILL WATER AND SEWER DISTRICT

(herein called "Recipient" whether one or more) and United States Department of Agriculture (USDA), pursuant to the rules and regulations of the Secretary of Labor (herein called the 'Secretary') issued under the authority of Executive Order 11246 as amended, witnesseth:

In consideration of financial assistance (whether by a loan, grant, loan guaranty, or other form of financial assistance) made or to be made by the USDA to Recipient, Recipient hereby agrees, if the cash cost of construction work performed by Recipient or a construction contract financed with such financial assistance exceeds \$10,000 - unless exempted by rules, regulations or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965.

1. To incorporate or cause to be incorporated into any contract for construction work, or modification thereof, subject to the relevant rules, regulations, and orders of the Secretary or of any prior authority that remain in effect, which is paid for in whole or in part with the aid of such financial assistance, the following "Equal Opportunity Clause":

During the performance of this contract, the contractor agrees as follows:

- (a) The contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited, to the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the USDA setting forth the provisions of this nondiscrimination clause.
- (b) The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.
- (c) The contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the USDA, advising the said labor union or workers' representative of the contractor's commitments under this agreement and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
- (d) The contractor will comply with all provisions of Executive Order 11246 of September 24, 1965, and of all rules, regulations and relevant orders of the Secretary of Labor.
- (e) The contractor will furnish all information and reports required by Executive Order 11246 of September 24, 1965, rules, regulations, and orders, or pursuant thereto, and will permit access to his books, records, and accounts by the USDA Civil Rights Office, and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.
- (f) In the event of the contractor's noncompliance with the nondiscrimination clauses of this contract or with any of the said rules, regulations, or orders, this contract may be cancelled, terminated, or suspended in whole or in part and the contractor may be declared ineligible for further Government contracts or federally assisted construction contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, or by rule, regulation or order of the Secretary of Labor, or as otherwise provided by Law.
- (g) The contractor will include the provisions of paragraph 1 and paragraph (a) through (g) in every subcontract or purchase order, unless exempted by the rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The contractor will take such action with respect to any subcontract or purchase order as the USDA may direct as a means of enforcing such provisions, including sanctions for noncompliance; Provided, however, that in the event the contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the USDA, the contractor may request the United States to enter into such litigation to protect the interest of the United States.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0018. The time required to complete this information collection is estimated to average 10 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

2. To be bound by the above equal opportunity clause with respect to its own employment practices when it participates in federally assisted construction work: Provided, that if the organization so participating is a State or local government, the above equal opportunity clause is not applicable to any agency, instrumentality or subdivision of such government which does not participate in work on or under the contract.
3. To notify all prospective contractors to file the required 'Compliance Statement', Form RD 400-6, with their bids.
4. Form AD-425, Instructions to Contractors, will accompany the notice of award of the contract. Bid conditions for all nonexempt federal and federally assisted construction contracts require inclusion of the appropriate "Hometown" or "Imposed" plan affirmative action and equal employment opportunity requirements. All bidders must comply with the bid conditions contained in the invitation to be considered responsible bidders and hence eligible for the award.
5. To assist and cooperate actively with USDA and the Secretary in obtaining the compliance of contractors and subcontractors with the equal opportunity clause and rules, regulations, and relevant orders of the Secretary, that will furnish USDA and the Secretary such information such as , but not limited to, Form AD-560, Certification of Nonsegregated Facilities, to submit the Monthly Employment Utilization Report, Form CC-257, as they may require for the supervision of such compliance, and that it will otherwise assist USDA in the discharge of USDA's primary responsibility for securing compliance.
6. To refrain from entering into any contract or contract modification subject to such Executive Order 11246 of September 24, 1965, with a contractor debarred from, or who has not demonstrated eligibility for, Government contracts and Federally assisted construction contracts pursuant to the Executive Order and will carry out such sanctions and penalties for violation of the equal opportunity clause as may be imposed upon contractors and subcontractors by USDA or the Secretary of Labor pursuant to Part II, Subpart D, of the Executive Order.
7. That if the recipient fails or refuses to comply with these undertakings, the USDA may take any or all of the following actions: Cancel, terminate, or suspend in whole or in part this grant (contract, loan, insurance, guarantee); refrain from extending any further assistance to the organization under the program with respect to which the failure or refund occurred until satisfactory assurance of future compliance has been received from such organization; and refer the case to the Department of Justice for appropriate legal proceedings.

Signed by the Recipient on the date first written above.

Recipient

Recipient

(CORPORATE SEAL)

SCOTT'S HILL WATER AND SEWER DISTRICT

Name of Corporate Recipient

Attest:

RICK BENTON, Clerk to the Board Secretary

By _____
GEORGE BROWN, JR., CHAIRMAN. President