

CURRITUCK COUNTY
NORTH CAROLINA
MARCH 17, 2008

The Board of Commissioners met on March 17, 2008, at 7:00 p.m. for its regularly scheduled meeting at the Historic Courthouse in the Commissioners Meeting Room with the following members present: Chairman Nelms, Commissioners Bowden, Gregory, Taylor and Etheridge.

Invocation

Pledge of Allegiance

The Reverend David Blackman was present to give the invocation.

Approval of Agenda

Commissioner Gregory moved to amend the agenda by deleting from the Consent Agenda resolution on OLF; remove budget amendment for Knotts Island VFD; add budget amendment for Senior Center Bus; add resolution amending Tourism Board location and date of meeting. Commissioner Bowden seconded the motion. Motion carried.

- Item 1 Approval of Agenda
- Item 2 Public Comment
Please limit comments to items not appearing on the regular agenda, please limit comments to 3 minutes.
- Item 3 **Karen McCalpin, update on Corolla Wild Horse Fund**
- Item 4 **Corolla Ocean Rescue contract for Lifeguard Services**
- Item 5 **Public Hearing and Action** PB 08-10 Currituck County Text Amendment: Request to amend Chapter 4: Overlay Districts, Chapter 7: Signs, and Chapter 17: Definitions of the Currituck County Unified Development Ordinance to clarify the use of electronically controlled message signs.
- Item 6 **Review and Action** PB 07-16 Weeping Radish: Annual review of a special use permit for outdoor events. The property is located at 6810 Caratoke Hwy., Poplar Branch Township.
- Item 7 **Appointments to the Whalehead Board of Trustees**
- Item 8 **Consent Agenda:**
 - 1. Surplus resolution for Extension trailer
 - 2. Change Orders for Jarvisburg Elementary School
 - 3. Change Orders for Shawboro Elementary School
 - 4. Resolution opposing OLF Site in Camden County
 - 5. Budget Amendments
 - 6. Request to purchase ambulances through installment purchase agreement and piggy-back off of the Florida State contract
 - 7. Report of Unpaid 2007 Real Estate Taxes - Order Advertisement of Tax Liens
 - 8. Bond Order for Mainland Water Revenue Bonds
 - 9. Series Resolution for Mainland Water Revenue Bonds
 - 10. Resolution to Declare County-Owned Parcel 110B-011-0016-0000 Surplus Property
 - 11. Resolution Authorizing Upset Bid Process - Parcel 110B-011-0016-0000
 - 12. Appointment of Scott Pollard to the Community Child Protection Team/Community Child Fatality Team
- Item 9 Commissioner's Report

Item 10 County Manager's Report

Public Comment

Please limit comments to items not appearing on the regular agenda, please limit comments to 3 minutes.

Chairman Nelms opened the public comment period.

Janice Carter, Moyock, expressed concerns with Moyock Fire Department as paid instead of volunteers.

Commissioner Etheridge, commended EMS and Communication staff for their professionalism and service.

Chairman Nelms, updated public on Mediacom's loss of service and new services that they are installing.

There being no further comments, Chairman Nelms closed the public comment period.

Karen McCalpin, update on Corolla Wild Horse Fund

Ms. McCalpin, Director of the Wild Horse Fund, reviewed the tremendous progress they have made in the past 17 months. The herd has been reduced by 37 horses, exceeding their goal of 30 horses. The Current herd size is 87. She reported that they have worked diligently and resolutely to responsibly manage the herd and to achieve financial stability, and have been excellent stewards of the funds entrusted to them both by the county and the public.

Corolla Ocean Rescue contract for Lifeguard Services

Sylvia Wolfe, Corolla Ocean Rescue, reviewed the contract for Lifeguard services.

Commissioner Etheridge moved to approve. Commissioner Taylor seconded the motion. Motion carried.

In exchange for performance of services hereunder the COUNTY shall make payment to the CONTRACTOR for services rendered as follows: 2008- \$540, 960.00 (FIVE HUNDRED FORTY THOUSAND NINE HUNDRED SIXTY AND 00/100 DOLLARS) AND 2009- \$584,664.00 (FIVE HUNDRED EIGHTY-FOUR THOUSAND SIX HUNDRED SIXTY-FOUR AND 00/100 DOLLARS.)

Public Hearing and Action PB 08-10 Currituck County Text Amendment: Request to amend Chapter 4: Overlay Districts, Chapter 7: Signs, and Chapter 17: Definitions of the Currituck County Unified Development Ordinance to clarify the use of electronically controlled message signs.

Ben Woody, Planning Director, reviewed the request.

The Board of Commissioners has directed staff to review the signage requirements in the Unified Development Ordinance (UDO) to define and clarify electronically controlled message

signs. Please find attached an amendment that further defines the operation of electronically controlled message signs, including the requirement that text or graphics remain stationary for a minimum of five seconds. This amendment will not apply to the Outer Banks Overlay District.

Additionally, the UDO is not clear with regard to how vehicles can be used for advertising. The attached amendment also includes language that clarifies to what extent vehicles and/or trailers may be used for advertising purposes.

What follows are the minutes from the February 12 Planning Board meeting and a draft of the text amendment as described above. The Planning Board recommended unanimous approval with the condition that the electronically controlled message signs only change messages once per 30 seconds.

Planning Board Meeting – February 12, 2008

DISCUSSION

The Planning Board discussed the location of the County sign, animated signs, and message signs.

Mr. Woody stated that currently electronically controlled message signs can change only once per hour per the UDO. The County is asking for the message to change every five seconds. This would pertain only to the Mainland. Time and temperature is exempt.

ACTION

Mr. West motion to recommend approval of the Currituck County Text Amendment for Electronically Controlled Message Sign to the Unified Development Ordinance but the message to change every 30 seconds. Mr. Keel seconded the motion. Motion passed unanimously.

Electronically Controlled Message Signs PB 08-10 Currituck County UDO Amendment Request

An amendment to Chapter 4: Overlay Districts, Chapter 7: Signs, and Chapter 17: Definitions.

BE IT ORDAINED by the Board of Commissioners of the County of Currituck, North Carolina that the Unified Development Ordinance of the County of Currituck be amended as follows:

Item 1: That Chapter 7 Signs is amended by rewriting the following sections:

Section 7.2 Signs Excluded from Regulation

- A. Signs erected by, or on behalf of, or pursuant to, the authorization of a governmental body, including legal notices, ~~identification and informational~~ signs that identify public property or convey public information, and traffic, directional or regulatory signs.

Section 7.4.2 On-Premise Sign Additional Requirements

- A. No more than 50 percent of the area of a sign can be a message board, reader board or electronically controlled message sign. The message must remain stationary for a minimum of five seconds ~~cannot change more than one time per hour~~, except for time and temperature.

Section 7.7 Miscellaneous Restrictions and Prohibitions

C. Signs that revolve or are animated or that utilize movement or apparent movement to attract attention of the public are prohibited (with the exception of message boards, ~~and~~ reader boards, and electronically controlled message signs subject to the regulations in this chapter). Without limiting the foregoing; banners, streamers, animated display boards, pennants, and propellers are prohibited but signs that only move occasionally because of wind are not prohibited if their movement:

1. Is not a primary design feature of the sign;
2. Is not intended to attract attention to the sign.

The restriction of this subsection shall not apply to signs specified in Section 7.2 (C) or (D) or to signs indicating the time, date or weather conditions and other such signs as specifically provided in these regulations, such as temporary signs and message board, reader board, and electronically controlled message signs.

Item 2: That Section 7.7 Miscellaneous Restrictions and Prohibitions is amended by adding the following subsection:

- I. Signs on vehicles and trailers that are parked in a location which is visible to the public and for a period of time which indicates that the principal use of the vehicle is for advertising rather than transport.

Item 3: That Chapter 17 Definitions is amended by adding the following underlined language:

Sign, Animated

Any sign which flashes, revolves, rotates, or swings by mechanical means or which uses a change of lighting to depict action or to create a special effect or scene.

Sign, Electronically Controlled Message

A sign on which the copy changes automatically on a lampbank, such that the message or display does not run continuously in the travel mode, and any message or display remains stationary for a minimum of five seconds. Any sign on which the message or display runs continuously in the travel mode and/or on which any message or display does not remain stationary for a minimum five seconds shall be considered an animated sign.

Item 3: That Section 4.7.4.5 Prohibited Signs is amended by adding the following subsection:

- T. Signs on vehicles and trailers that are parked in a location which is visible to the public and for a period of time which indicates that the principal use of the vehicle is for advertising rather than transport.

Item 4: The provisions of this Ordinance are severable and if any of its provisions or any sentence, clause, or paragraph or the application thereof to any person or circumstance shall be held unconstitutional or violative of the Laws of the State of North Carolina by any court of

competent jurisdiction, the decision of such court shall not affect or impair any of the remaining provisions which can be given effect without the invalid provision or application.

Chairman Nelms opened the public hearing. There being no comments, he closed the public hearing.

Commissioner Gregory moved to approve with the 5 second change. Commissioner Bowden seconded the motion. Motion carried.

Review and Action PB 07-16 Weeping Radish: Annual review of a special use permit for outdoor events. The property is located at 6810 Caratoke Hwy., Poplar Branch Township.

Sworn testimony was given prior to making comments.

Ben Woody, Planning Director, reviewed the request.

On April 2, 2007 the Board of Commissioners approved a Special Use Permit for outdoor special events at the Weeping Radish Brewery property. The scope of the original approval included festivals and events to last for more than one day of duration outside of an enclosed building. As part of the approval, the Board requested the Special Use Permit be reviewed within one year.

Attached please find the conditions of the Special Use Permit and a site plan.

**SPECIAL USE PERMIT REVIEW
PB 07-16 Weeping Radish Farm Brewery**

1. The applicant shall notify the following departments in writing sixty (60) days prior to individual events or provide an annual schedule of events: Planning and Inspections, Emergency Services, Albemarle Regional Health Department, Currituck Sheriff's Department, and the Fire Prevention office (Fire Marshal).
2. Failure to notify these departments of a scheduled event will result in the immediate suspension of the use permit until it can be review at a scheduled Board of Commissioners meeting.
3. A noise permit issued by the Sheriff's Department shall be acquired prior to the event for any outdoor amplified sound.
4. No vehicles shall be parked within the right-of-way of Caratoke Highway, or within 20 feet of any adjoining property line in spaces that are not previously approved as part of the Weeping Radish Brewery operations.
5. A zoning permit shall be obtained for any on-premise signage. No sign advertising the event shall exceed the allowances of the Currituck County Unified Development Ordinance.
6. Portable toilets shall be provided per the requirements of the Health Department. A copy of the contract for the portable toilets with NC registered sewage pumper shall be submitted to the Department of Planning and Inspections one week prior to the event.
7. All vendors serving food shall receive permits from the Albemarle Regional Health Services 30 days prior to individual events. A list of the food vendors and copies of

their permits shall be submitted by 25 days before individual events, to the Department of Planning and Inspections.

8. Any tents used for events will require a tent permit issued by the Department of Planning and Inspections. The tents shall be inspected by the Fire Marshall. The applicant shall be responsible for scheduling this inspection with the Fire Marshall.
9. Any arenas, bleachers, tents or other structures for the event shall be permitted and inspected 24 hours prior to the event commencing. The applicant shall be responsible for scheduling this inspection with the Inspections division.
10. All items associated with the event (tents, bleachers, litter, port-a-johns, etc.) shall be removed from the event site within three (3) days of the end of the event.
11. There shall be no fireworks used at this event that do not receive the prior, written approval of the Fire Marshal.
12. Upon a determination of need by the Sheriff and EMS director, Law Enforcement, EMS and a fire truck shall be scheduled to be on-site for each event and the NC Highway Patrol notified or contracted to provide traffic control.
13. Provide proof of Liability Insurance on an annual basis or individual events as applicable.
14. The applicant shall demonstrate compliance with the above stated conditions no less than 15 days prior to any event.

Commissioner Etheridge moved to approve a 3 year permit.
Commissioner Gregory seconded the motion. Motion carried.

Appointments to the Whalehead Board of Trustees

Commissioner Bowden moved to appoint Barbara Smith, Jeanne Meiggs and reappoint Marion Thorn, Gary Springer, Bill Richardson and Travis Morris. Commissioner Gregory seconded the motion. Motion carried.

Bond Order for Mainland Water Revenue Bonds Series

Chairman Nelms moved to approve the BOND ORDER AUTHORIZING THE ISSUANCE OF WATER SYSTEM REVENUE BONDS TO PROVIDE FUNDS FOR IMPROVEMENTS TO THE WATER SYSTEM OF THE COUNTY; PROVIDING FOR THE ISSUANCE OF REVENUE BONDS; PROVIDING FOR THE COLLECTION OF SERVICE CHARGES FOR THE USE OF THE SYSTEM; PROVIDING FOR THE CREATION OF CERTAIN SPECIAL FUNDS; PLEDGING TO THE PAYMENT OF THE PRINCIPAL OF AND THE INTEREST ON THE REVENUE BONDS AND NOTES CERTAIN REVENUES OF THE SYSTEM; SETTING FORTH THE RIGHTS AND REMEDIES OF HOLDERS; AND SETTING FORTH THE DETAILS OF CERTAIN RELATED MATTERS

Commissioner Bowden seconded the motion. Motion carried.

WHEREAS, the County of Currituck, North Carolina (the "County") is authorized by The State and Local Government Revenue Bond Act, Article 5 of Chapter 159, to issue its

revenue bonds to provide moneys for the acquisition, construction, reconstruction, extension, improvement or payment of the cost of one or more revenue bond projects, including water systems or facilities; and

WHEREAS, the County desires to finance the cost of making certain improvements to its water system that serves the mainland portion of the County including, but not limited to, the construction of a reverse osmosis water processing plant and related infrastructure; and

WHEREAS, the County now intends to issue its water system revenue bonds (the "Bonds") to finance the Project (defined below), which Bonds shall be secured by a pledge of Pledged Net Revenues; and

WHEREAS, each series of Bonds shall be issued pursuant to a Series Resolution which will provide for the terms for such series of Bonds; and

WHEREAS, the County also is authorized to issue Subordinate Debt, as defined herein, to finance Improvements to the System (as defined below);

NOW, THEREFORE, BE IT ORDERED by the County of Currituck, North Carolina, as follows:

**ARTICLE I
GENERAL PROVISIONS AND DEFINITIONS**

Section 1.01. Contract with Holders. In consideration of the purchase and acceptance of the Bonds by those who shall hold the same from time to time, the provisions of this Bond Order shall be deemed to be and shall constitute a contract between the County and the Holders from time to time of the Bonds; and the covenants and agreements herein set forth to be performed by or on behalf of the County shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds so issued or to be issued, without preference, priority or distinction as to lien or otherwise, except as otherwise hereinafter provided, of any one Bond over any other Bond by reason of priority in the issue, sale or negotiation thereof, or otherwise.

Section 1.02. Definitions. The following words and terms as used in this Bond Order shall have the following meanings, unless some other meaning is manifestly intended:

"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.

"Annual Budget" means any budget or amended budget of Operating Expenses adopted or in effect pursuant to Section 7.08 of this Bond Order.

"Annual Debt Service" means the amount of payments required to be made for principal of and interest on any specified Indebtedness, including mandatory sinking fund redemptions, and payments pursuant to agreements with providers of credit enhancement or liquidity support with respect to such Indebtedness to reimburse such providers for debt service payments made with respect to such Indebtedness, scheduled to come due within a specified Fiscal Year, but excluding any capitalized interest funded from proceeds of Indebtedness. For purposes of calculating Annual Debt Service, the following assumptions are to be used to calculate the principal and interest due in such specified Fiscal Year:

(a) In determining the principal amount due in the Fiscal Year, payment shall be assumed to be made in accordance with any amortization schedule established for such Indebtedness (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization), including any scheduled redemption of such specified Indebtedness on the basis of accreted value and, for such purpose, the redemption payment shall be deemed a principal payment;

(b) If any of the specified Indebtedness constitutes Tender Indebtedness, then Annual Debt Service on the options or obligations of the holders of such Indebtedness to tender the same for purchase or payment prior to their stated maturity or maturities shall be treated as a principal maturity occurring on the first date on which owners of such Indebtedness may or are required to tender such Indebtedness, except that any such option or obligation to tender Indebtedness shall be ignored and not treated as a principal maturity if (1) such Indebtedness is enhanced or secured by a letter of credit, such Indebtedness is rated at least in the "A" rating category (without regard to any rating refinement or gradation by numerical modifier or otherwise) by a Rating Agency, and such Indebtedness is rated in the two highest short-term note or commercial paper rating categories by a Rating Agency, and (2) any obligation the County may have, other than its obligation on such Indebtedness, to reimburse any provider of a credit or liquidity facility or a bond insurance policy, or similar arrangement shall have been incurred under and shall have met the tests and conditions for the issuance of such specified Indebtedness set forth in this Bond Order;

(c) If any of the specified Indebtedness constitutes Variable Rate Indebtedness, the interest rate on such Indebtedness shall be assumed to be 100% of the greater of (1) the daily average interest rate on such Indebtedness during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Indebtedness shall have been Outstanding or (2) the rate of interest on such Indebtedness on the date of calculation; provided that, with respect to any Variable Rate Indebtedness which is being issued at the date of computation, the initial rate of such Indebtedness shall be used;

(d) Indebtedness that is no longer Outstanding pursuant to Section 11.01 or otherwise shall be disregarded and not included in the calculation of Annual Debt Service;

(e) For any Indebtedness for which a binding commitment, letter of credit or other credit arrangement providing for the extension of such Indebtedness beyond its original maturity date exists, the computation of the annual amount payable on account of principal and interest on such Indebtedness shall, at the option of the County, be made on the assumption that such Indebtedness will be amortized in accordance with such credit arrangement; and

(f) Upon incurrence of a Hedge Agreement, all calculations, including for the annual amount on account of principal and interest on Indebtedness subject to the Hedge Agreement, shall be made using the Hedge Fixed Rate for the applicable period and such Indebtedness shall not be considered as Variable Rate Indebtedness for such period.

"Auditors" means the independent firm of certified public accountants that is employed by the County to audit the County's books and accounts at the end of each Fiscal Year.

"Beneficial Owners" means the person in whose name a Bond is recorded as beneficial owner of such Bond by the Securities Depository or a Participant or an Indirect Participant on the

records of such Securities Depository, Participant or Indirect Participant, as the case may be, or such Person's subrogee.

"Board" means the Board of Commissioners of the County of Currituck, North Carolina, or the board or body in which the general legislative powers of the County shall now or hereafter be vested.

"Bond Anticipation Notes" means any notes issued in anticipation of the issuance of Bonds.

"Bond" or "Bonds" means any bond or bonds authorized by Article II and includes any Bond Anticipation Notes, and Completion Bonds issued in accordance with this Bond Order, but does not include any Subordinate Debt.

"Bond Counsel" shall mean an attorney or firm of attorneys nationally recognized on the subject of municipal bonds.

"Bond Fund" means the fund created and so designated by Section 5.01.

"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 Order" means this Bond Order, together with all orders amendatory hereof and all orders supplemental hereto as herein permitted, including all Series Resolutions.

"Bond Registrar" means initially the Finance Officer, and if a Paying Agent is appointed pursuant to Section 9.02, such Paying Agent and any successor Paying Agent.

"Book-Entry System" means "Book-Entry System" means a book-entry system established and operated for the recordation of Beneficial Owners of the Bonds pursuant to Section 2.20.

"Business Day" means a day on which banking business is transacted, but not including a Saturday, Sunday or legal holiday, or any day on which banking institutions are authorized by law to close in the county in which the Paying Agent has its principal corporate trust office.

"Capital Lease Obligation" means the obligation to make payments under leases that are (i) required to be capitalized in accordance with GAAP, (ii) related to the System, and (iii) expected to be paid from Pledged Net Revenues.

"Chairman" means the Chairman of the Board or the officer succeeding to or exercising his or her principal functions and duties.

"Clerk" means the Clerk to the County Board of Commissioners or the officer succeeding to or exercising his or her principal functions and duties.

"Commission" means the Local Government Commission of North Carolina or its designated representative.

“Completion Bonds” means any Bonds issued for the purpose of financing the completion of certain improvements to the Project for which Bonds have theretofore been issued in accordance with the provisions hereof, to the extent necessary to complete such improvements in the manner and scope contemplated at the time that such Bonds were originally issued, and, to the extent the same shall be applicable, in accordance with the general plans and specifications for such improvements as originally prepared with only such changes as have been made in conformance with the documents pursuant to which such Bonds were originally issued.

“Consulting Engineers” means (a) an Independent Consulting Engineer or (b) the designated person(s) within the Currituck County Water Department or of any successor department who is (1) an engineer experienced in the field of water engineering and (2) licensed and registered as a professional engineer in the State.

“Costs of the Project” means the cost of improvements, the cost of construction or reconstruction, the cost of all labor, materials, machinery and equipment, the cost of all lands, property, rights, easements, franchises and permits acquired, financing charges, interest prior to and during construction and for up to one year after completion of construction; start-up costs and operating capital; the cost of plans, specifications, surveys, estimates of costs and of revenues; the cost of engineering, legal and other professional services, including financial advisory services; costs of issuing any Series of Bonds, expenses necessary or incident to determining the feasibility or practicability of any such acquisition, construction or reconstruction, and such other expenses as may be necessary or incidental to the financing of the Project.

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

“County Representative” means the person or persons designated to act on behalf of the County by written certificate of the Board signed by the Chairman and furnished to the Paying Agent and the Depository containing the specimen signature of such person or persons.

“Debt Service Requirement” means, for any Indebtedness in any Fiscal Year, the amount of the Annual Debt Service for such Indebtedness for such Fiscal Year.

“Debt Service Reserve Fund” means the fund created and so designated by Section 5.01 of this Bond Order.

“Debt Service Reserve Requirement” means, with respect to any Indebtedness, an amount equal to the maximum Annual Debt Service for such Indebtedness for any Fiscal Year.

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

“Finance Officer” means the Finance Officer of the County or the officer succeeding to his principal functions and duties.

“Fiscal Year” means the period of twelve months commencing on July 1 of any year and ending on June 30 of the following year.

“GAAP” means generally accepted accounting principles as applied to governmental entities.

“General Obligation System Bonds” means the principal amount of the County’s outstanding general obligation bonds, from time to time, the proceeds of which were used to finance facilities of the System.

“Hedge Agreement” means an interest rate swap, cap, collar, floor, forward or other hedging agreement, arrangement or security however denominated, expressly identified pursuant to its terms as being entered into in connection with and in order to hedge interest rate fluctuations on all or a portion of any Indebtedness where (a) interest on such Indebtedness or such portion of such Indebtedness is payable at a variable rate of interest for any future period of time or is calculated at a varying rate per annum, and (b) a fixed rate (for a swap), a maximum rate (for a cap) or a maximum and minimum rate (for a collar) is specified by the County in such agreement, or such Indebtedness, taken together with such agreement, results in a net fixed rate payable by the County for such period of time (the “Hedge Fixed Rate”), assuming the County and the party(ies) with whom the County has entered into the agreement make all payments required to be made by the terms of the agreement, provided that no such agreement may be entered into by the County unless any termination or similar payment which may be payable by the County thereunder is expressly subordinated to the obligation of the County on the Indebtedness, and that the party(ies) with whom the County has entered into the agreement shall have the same or higher rating as the Indebtedness to which it relates. If the rating of the Indebtedness or the party(ies) with whom the County has entered into such agreement is lowered, such agreement will continue in effect and expire in accordance with its terms.

“Impact Fees” means all nonrecurring fees that the County collects from developers, builders or others, if any, (1) to compensate the County for providing System capacity, and (2) to connect facilities related to installation of and expansion to the System.

“Indebtedness” means Senior Debt and Subordinate Debt.

“Independent Consulting Engineer” means an independent engineer, who is not an employee of the County, experienced in the field of water engineering and licensed and registered as a professional engineer in the State.

“Indirect Participant” means a broker-dealer, bank or other financial institution for which the Securities Depository holds Bonds as a securities depository through a Participant.

“Initial Bonds” means the Bonds authorized under Section 2.01 of this Bond Order and the Series Resolution adopted on the date of this Bond Order with respect to such Initial Bonds.

“Interest Payment Date” means, with respect to any Series of Bonds, each of the interest payment dates provided for in the Series Resolution relating to such Series.

“Net Proceeds” means the gross proceeds from any insurance recovery or recovery in any condemnation proceeding remaining after payment of attorneys’ fees, fees and all other expenses incurred in collection of such gross proceeds.

“Net Revenues” means for any period, Revenues less Operating Expenses for such period.

“Operating Expenses” means the County’s operating expenses for the operation, maintenance and repair of the System as determined in accordance with GAAP, except as modified by this definition. “Operating Expenses” do not include any reserves for operation, maintenance or repair or any allowance for depreciation, amortization, interest or similar charges, and any debt service payments in respect of Indebtedness.

“Participant” means a broker-dealer, bank or other financial institution for which the Securities Depository holds Bonds as a securities depository.

“Paying Agent” means initially the County’s Finance Officer, and if any Paying Agent is appointed pursuant to Section 9.02, such Paying Agent and any successor Paying Agent.

“Pledged Net Revenues” means Receipts received by the County for any period less Operating Expenses for such period.

“Project” means the acquisition, construction and equipping of a reverse osmosis water processing plant and related infrastructure, and any other System Improvements financed with the proceeds of Bonds.

“Qualified Investments” means any investments of political subdivisions of the State permitted under Section 159-30 of the General Statutes of North Carolina, as amended, or any successor provision.

“Rate Covenant” means the obligation of the County to fix, charge and collect rates, fees and other charges for the use of and the services furnished by the System sufficient to meet the requirements of Section 7.01(a).

“Rating Agency” or “Rating Agencies” means any securities rating agency, acceptable to the Commission, that shall have assigned a rating that is then in effect with respect to the Indebtedness.

“Receipts” means all income, receipts, proceeds and money received in any period from or arising out of the operation of the System, including all payments, proceeds, fees, charges, rents and all other income derived by or for the County for the use of and for the services and facilities furnished by or from the operation or ownership of the System, and all other income derived by the County from the operation or ownership of the System, and all rights to receive the same, whether in the form of accounts receivable, contract rights or other rights, and the proceeds of such rights whether now owned or held or hereafter coming into existence, and any proceeds of use and occupancy or business interruption insurance.

“Reserve Determination Date” means (a) each interest payment date for the Bonds or (b) any other date established in writing by a County Representative for the valuation of obligations on deposit in any Series Debt Service Reserve Account.

“Revenue Fund” means the fund created and so designated by Section 5.01 of this Bond Order.

“Revenues” means all revenues in respect of the System determined in accordance with GAAP, but excluding:

- (i) Impact Fees and the proceeds of any gifts, grants, bequests, contributions or donations, unless the Board adopts a resolution specifically designating any of the foregoing as “Revenues” under this Bond Order,
- (ii) the proceeds from the sale and disposition of all or any part of the System,
- (iii) reimbursements received by the County of advances made by it in respect of (A) the Project, (B) any refundings of Indebtedness and (C) any capital improvements,
- (iv) the investment income realized on, and the income and gains realized upon the maturity or sale of, securities held by or on behalf of the County in any funds, accounts and subaccounts established by or pursuant to this Bond Order, but only to the extent such income and gains as so realized are required to be deposited to some fund, account or subaccount other than the Revenue Fund as may be provided in this Bond Order or in any Series Resolution,
- (v) Net Proceeds or the proceeds of any other insurance other than any use and occupancy or business interruption insurance,
- (vi) the proceeds of any appropriation made by any political subdivision in the State or by the State or any State agency unless the proceeds of any such appropriation are designated, in whole or in part, as Revenues by the County and are available to pay Operating Expenses,
- (vii) the proceeds of any security deposits or moneys received to make refunds to users,
- (viii) the proceeds of any Indebtedness, and
- (ix) payments made by the counterparty in connection with any Hedge Agreement.

“Secretary” means the Secretary of the Commission or his or her designated assistant.

“Securities Depository” means The Depository Trust Company and any substitute for or successor to such securities depository that shall maintain a Book-Entry System with respect to the Bonds.

“Securities Depository Nominee” means the Securities Depository or the nominee of such Securities Depository in whose name the Bonds to be delivered to such Securities Depository during the continuation with such Securities Depository of participation in its Book-Entry System are to be registered on the bond register maintained by the Bond Registrar.

“Senior Debt” means Bonds issued under this Bond Order, and obligations of the County incurred pursuant to the State Bond Program.

“Series” or “Series of Bonds” means a separate series of Bonds issued under this Bond Order and a Series Resolution.

“Series Debt Service Reserve Account” for any Series of Bonds, to the extent required, shall have the meaning set forth in the Series Resolution authorizing such Series of Bonds.

“Series Debt Service Reserve Requirement” for any Series of Bonds, to the extent required shall have the meaning set forth in the Series Resolution authorizing such Series of Bonds.

“Series Resolution” means the resolution of the Board providing for the issuance of any Bonds and fixing the details thereof, as further described in Section 3.01.

“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 Board.

“State” means the State of North Carolina.

“State Bond Program” means the proceeds of any general obligation bonds issued by the State out of which the State provides loans to local governments for water and wastewater capital projects.

“State Revolving Loan Program” means the program established by the Clean Water Revolving Loan and Grant Act providing a State source of funding for loans to local governments for water and wastewater capital projects.

“Subordinate Debt” means any bonds, notes, Capital Lease Obligations or other obligations issued or entered into in connection with the Project which (a) have pledged to their payment Pledged Net Revenues as a subordinate lien pledge after the pledge of Pledged Net Revenues to Senior Debt, (b) are expected to be paid from Pledged Net Revenues and not issued as Senior Debt or otherwise designated by the County as Subordinate Debt, (c) are funded from the State Revolving Loan Program, or (d) are General Obligation System Bonds (unless such General Obligation System Bonds are expected to be paid from the County’s general funds, as designated by the Board, in which case such General Obligation System Bonds shall not be considered Indebtedness).

“System” means all plants, systems, facilities, equipment or property owned, operated or maintained by the County in connection with collection, treatment, pumping and distribution of water through its water system serving the mainland portion of the County (but excluding any water service serving the Outer Banks portion of the County east of Currituck Sound) from time to time, together with all future extensions, improvements, enlargements and additions thereto, and all related infrastructure, which is separately presently accounted for in a fund by the County in its consolidated Audited Financial Statements, which fund is presently identified as the “Mainland Water Fund”.

“System Improvements” means any construction, reconstruction, improvement, enlargement, betterment or extension of the System, including all plants, works, instrumentalities and properties used or useful in collecting, treating, pumping and distributing water.

“Tender Indebtedness” means any indebtedness a feature of which is an option or obligation on the part of the holders of such indebtedness to tender all or a portion of such indebtedness to a fiduciary for mandatory purchase or redemption prior to the stated maturity date of such indebtedness, which may include Variable Rate Indebtedness with such a feature.

“Term Bonds” means any Bonds stated to mature on a specified date and required to be redeemed in part prior to maturity according to a sinking fund schedule.

“Variable Rate Indebtedness” means any indebtedness the interest rate on which is not established at the time of incurrence at a fixed or constant rate, provided that (a) the maximum interest rate on such indebtedness and the maximum rate payable to any credit provider with respect to such indebtedness shall be specified at the time of issuance of such indebtedness, (b) any credit provider of any credit facility shall cause such indebtedness to be rated by the Rating Agencies at least equal to the rating on such indebtedness in one of the two highest long-term rating categories of such Rating Agencies.

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 “bond”, “owner”, “Holder” and “person” shall include corporations and associations, including public bodies, limited liability companies, partnerships and other legal entities, as well as natural persons. All references to “Sections” shall mean Sections of this Bond Order unless otherwise specifically provided.

ARTICLE II TERMS, EXECUTION, AUTHENTICATION, DELIVERY AND REGISTRATION OF BONDS

Section 2.01. Authorization Bonds. Unless otherwise provided in the applicable Series Resolution, the Bonds shall be designated “Water System Revenue Bonds,” shall bear an appropriate series designation, shall be issuable only as registered Bonds without coupons, appropriately numbered in denominations of \$100,000 and any multiple of \$5,000 in excess thereof. The form, details, delivery and terms of each Series of Bonds and such other matters as the Board may deem appropriate shall be set forth in the applicable Series Resolution for such Series of Bonds. Principal, premium, if any, and interest shall be payable in lawful money of the United States of America. Each issue of Senior Debt issue shall be issued pursuant to a Series Resolution or evidenced by other documents and shall be equally and ratably secured by the pledge of Pledged Net Revenues under this Bond Order, without preference, priority or distinction; provided, however, that the moneys in any Series Debt Service Reserve Account shall only secure the applicable Series.

Section 2.02. Terms of Bonds. The Bonds shall be issuable as fully registered bonds. The Bonds shall be dated, shall bear interest until their payment, such interest to the maturity thereof being payable at such rate or rates and at such time or times, and shall be stated to mature (subject to the right of prior redemption) at such times as set forth in the Series Resolution providing for the issuance of the Bonds. Each Bond shall be payable with respect to principal, redemption premium if any, and interest, in any coin or currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts. The Bonds shall be redeemable prior to their respective maturities as provided in

Article IV hereof and as additionally provided in the Series Resolution providing for the issuance of the Bonds.

Section 2.03. Execution of Bonds. Each Bond shall be executed in the name of the County by manual or facsimile signatures of the Chairman, or the County Manager, as designated by the Board, and the Clerk and shall have impressed or printed thereon the official seal of the County or a facsimile thereof; provided, however, that at least one manual signature must appear on each Bond (which may be the signature of the Secretary to the Commission's certificate). Any Bond may be signed, sealed or attested on behalf of the County by any person who, at the date of such act, shall hold the proper office, notwithstanding that at the date of such Bond or the date of delivery thereof such person shall not have held such office. In case any officer who shall have signed or sealed any of the Bonds shall cease to be such officer of the County before the Bonds so signed or sealed shall have been delivered, such Bonds may nevertheless be delivered as herein provided as if the person who so signed or sealed such Bonds had not ceased to be such officer.

Section 2.04. Registration and Transfer of Bonds. The County shall cause books for the registration of and for the registration of transfers of the Bonds as provided in this Bond Order to be kept by the Bond Registrar. The transfer of any Bond shall be registered upon the books kept for the registration of and registration of transfers of Bonds upon surrender thereof to the Bond Registrar together with an assignment duly executed by the Holder or his attorney or legal representative in such form as shall be satisfactory to the Bond Registrar. Upon any such registration of transfer, the County shall execute and the Bond Registrar shall authenticate and deliver in exchange for such Bond a new Bond of the same series registered in the name of the transferee in an aggregate principal amount equal to the unpaid principal amount of such Bond, having maturities corresponding to the principal installments of such Bond and bearing interest at the same rate. Any Bond issued hereunder shall be transferred only to a bank, insurance company, similar financial institution or other entity approved by the Commission; provided that such restrictions will not apply to any Bond that is secured by a letter of credit resulting in a rating of A or better by any Rating Agency.

In all cases in which the Bonds shall be transferred hereunder, the County shall execute, the Bond Registrar shall authenticate and deliver at the earliest practicable time Bonds in accordance with the provisions of this Bond Order. The County and the Bond 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 Bond Registrar shall be 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, immediately preceding the date of mailing of notice of such redemption, or after such Bond or any portion thereof has been selected for redemption.

Section 2.05. Ownership of Bonds. As to any Bond, the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, 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. All such payments shall 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.

Section 2.06. Mutilated, Destroyed, Stolen or Lost Bonds. In case any outstanding Bond shall become mutilated or be destroyed, stolen or lost, the County may prepare and cause to be executed, authenticated and delivered a new Bond of like tenor, number and amount as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond and upon surrender of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, upon the owner furnishing to the satisfaction of the Bond Registrar, the Commission and the County evidence that such Bond has been destroyed, stolen or lost, proof of the ownership thereof, a surety Bond or other indemnification instrument in twice the face amount of the Bond or in such other amount required by applicable law, payment of the cost of preparing and issuing any new Bonds, including the reasonable expenses and charges of the County and the Bond Registrar in connection therewith and evidence of compliance with such other reasonable regulations as the Bond Registrar and Board may prescribe. All Bonds surrendered hereunder shall be surrendered to the Bond Registrar and shall be cancelled. All Bonds issued in accordance with this Section shall be signed by the Chairman and the Clerk who are in office at the time and shall contain a recital to the effect that they are issued in exchange for or in place of certain Bonds and are to be deemed a part of the same series as such Bonds.

Section 2.07. Authentication of Bonds. The Bonds shall bear a certificate of authentication and shall not be valid until the Bond Registrar shall have executed the certificate of authentication and inserted the date of authentication thereon. The Bond Registrar shall authenticate each Bond with the signature of an authorized officer or employee, but it shall not be necessary for the same person to authenticate all of the Bonds or all of the Bonds of any Series. Only such authenticated Bonds shall be entitled to any right or benefit under this Bond Order, and such certificate on any Bond issued hereunder shall be conclusive evidence that the Bond has been duly issued and is secured by the provisions hereof.

Section 2.08. Nonpresentment of Bonds. If any Bond is not presented for payment when the principal thereof becomes due (whether at maturity, by sinking fund redemption, upon acceleration or call for redemption or otherwise), all liability of the County to the holder thereof for the payment of such Bond shall be completely discharged if moneys sufficient to pay such Bond and the interest due thereon shall be held by the Paying Agent for the benefit of such holder, and thereupon it shall be the duty of the Paying Agent to hold such moneys, subject to the following paragraph, without liability for interest thereon, for the benefit of such holder, who shall thereafter be restricted exclusively to such moneys for any claim of whatever nature on his part under this Bond Order or on, or with respect to, such Bond.

All moneys which the County shall have set aside for the purpose of paying any Bonds either at the maturity thereof or upon call for redemption shall be held in trust for the respective Holders of such Bonds. Any moneys which shall be set aside and which shall remain unclaimed by the Holders of such Bonds for the period of five years after the date on which such Bonds shall have become payable shall be treated as abandoned property pursuant to the provisions of G.S. 116B-53, and the County shall report and remit this property to the Escheat Fund according to the requirements of Article 1 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

Section 2.09. Book-Entry System. At the County's election, Bonds of any Series may be issued pursuant to a Book-Entry System administered by the Securities Depository with no

physical distribution of Bond certificates to be made except as provided in this Section. In the event a Book-Entry System is utilized, any provision of this Bond Order, and Series Resolution or the Bonds requiring physical delivery of the shall, with respect to any Bonds held under the Book-Entry System, be deemed to be satisfied by a notation on the registration books by the Bond Registrar that such Bonds are subject to the Book-Entry System.

So long as a Book-Entry System is being used for any Series of Bonds, one Bond of such Series in the aggregate principal amount of each maturity of Bonds of such Series registered in the name of the Securities Depository Nominee will be issued and deposited with the Securities Depository and held in its custody. The Book-Entry System will be maintained by the Securities Depository and the Participants and Indirect Participants and will evidence beneficial ownership of the Bonds in authorized denominations, with registration of transfers of ownership effected on the records of the Securities Depository, the Participants and the Indirect Participants pursuant to rules and procedures established by the Securities Depository, the Participants and the Indirect Participants. The principal of, interest and any premium on each Bond held in the Book-Entry System shall be payable to the Securities Depository Nominee or any other person appearing on the registration books as the registered Holder of such Bond or his/her registered assigns or legal representative at the principal office of the Bond Registrar. So long as the Book-Entry System is in effect with respect to a Series of Bonds, the Securities Depository will be recognized as the Holder of the Bonds of such Series for all purposes. Transfer of principal, interest and any premium payments or notices to Participants and Indirect Participants will be the responsibility of the Securities Depository, and transfer of principal, interest and any premium payments or notices to Beneficial Owners will be the responsibility of the Participants and the Indirect Participants. No other party will be responsible or liable for such transfers of payments or notices or for maintaining, supervising or reviewing such records maintained by the Securities Depository, the Participants or the Indirect Participants. While the Securities Depository Nominee or the Securities Depository, as the case may be, is the registered owner of the Bonds of any Series, notwithstanding any other provisions set forth herein, payments of principal of, redemption premium, if any, and interest on the Bonds of such Series shall be made to the Securities Depository Nominee or the Securities Depository, as the case may be, by wire transfer in immediately available funds to the account of such Holder as may be specified in the registration books maintained by the Bond Registrar or by such other method of payment as the Bond Registrar may determine to be necessary or advisable with the concurrence of the Securities Depository.

If (y) the Securities Depository determines not to continue to administer a Book-Entry System for the Bonds of any Series, or (z) the County, with the consent of the Paying Agent, determines that continuation of a Book-Entry System of evidence and transfer of ownership of the Bonds of any Series would adversely affect the interests of the Beneficial Owners thereof, the Book-Entry System will be discontinued, in which case the County and the Bond Registrar will deliver replacement Bonds of such Series in the form of fully registered certificates in authorized denominations in exchange for the outstanding Bonds of such Series.

ARTICLE III ISSUANCE OF BONDS

Section 3.01. Conditions for Issuing Bonds. Before the issuance and authentication of any Series of Bonds by the Bond Registrar, the County shall file with the Bond Registrar the following:

- (a) A certified copy of the Bond Order;
- (b) An original executed counterpart of a Series Resolution which (1) shall include: (A) provisions authorizing the issuance, fixing the principal amount and setting forth the details of such Bonds, including their date, the interest rate or rates and the manner in which the Bonds are to bear and pay interest, the principal and interest payment dates of the Bonds, the purposes for which such Bonds are being issued, the manner of numbering of such Bonds, the Series designation, the denominations, the maturity dates and principal maturities, the principal amounts required to be redeemed pursuant to any mandatory redemption provisions or the manner for determining such principal amounts, any provisions for optional or extraordinary redemption before maturity, any provisions regarding a Series Debt Service Reserve Account; and (B) provisions for the application of the proceeds of such Bonds; and (2) may include: (A) provisions for credit facilities and for other funds and accounts to be established with respect to such Bonds; (B) provisions necessary or expedient for the issuance of Bonds bearing interest at a variable rate or other manner of bearing interest, including remarketing provisions, liquidity facility provisions and provisions for establishing the variable rate and converting to a fixed rate; (C) provisions for entering into Hedge Agreements, guarantees or other arrangements to limit interest rate risks; (D) in the case of refunding Bonds, provisions calling for redemption on payment of the Indebtedness to be refunded, and (E) such other provisions as the County may deem appropriate.
- (c) A certificate signed by the County Manager or Authorized Representative of the County and dated the date of such issuance, to the effect that:
 - (1) Either (A) upon and immediately following such issuance, no Event of Default has occurred which has not been cured or waived, and no event or condition exists which, with the giving of notice or lapse of time or both, would become an Event of Default or (B) if any such event or condition is happening or existing, specifying such event or condition, stating that the County will act with due diligence to correct such event or condition after the issuance of such Bonds, and describing in reasonable detail the actions to be taken by the County toward such correction; and
 - (2) All required approvals, limitations, conditions and provisions precedent to the issuance of such Series of Bonds have been obtained, observed, met and satisfied.
- (d) All policies or certificates of insurance (and any amendments to such policies) or evidence of appropriate substitute arrangements required by this Bond Order in connection with the issuance of such Bonds and a certificate of the Finance Officer or County Representative that all policies (and amendments) or appropriate substitute arrangements required to be in effect at that time are in full force and effect and are in such forms as necessary to comply with and satisfy all requirements of this Bond Order.
- (e) An Opinion or Opinions of Counsel, subject to customary exceptions and qualifications, substantially to the effect that the Series Resolution for such Series of Bonds has been duly adopted by the Board at a meeting duly called and held and complies in all respects with the requirements of this Bond Order.
- (f) An opinion of Bond Counsel, subject to customary exceptions and qualifications, substantially to the effect that the issuance of such Bonds has been duly authorized, that such

Bonds are valid and binding limited obligations of the County, and with respect to Bonds to be issued on a tax-exempt basis, that the interest on such Bonds is excludable from gross income for purposes of Federal income taxation.

(g) If such Bonds are issued to pay Costs of the Project, except in the case of the initial issuance of Bonds issued under this Bond Order, the following:

(1) Evidence that upon issuance of such Bonds, each Series Debt Service Reserve Account within the Debt Service Reserve Fund will contain the applicable Series Debt Service Reserve Requirement, if any; and

(2) Either (A) a certificate of the County Manager, the Finance Officer or County Representative, stating that based on the County's financial records for any 12 consecutive months (the "Test Period") prior to the issuance of such Bonds the County would have been able to meet the Rate Covenant in Section 7.01(a), taking into account (i) the maximum Annual Debt Service on the proposed additional Series of Bonds in the current or any future Fiscal Year, and (ii) the rates, fees and other charges which are in effect and any future changes therein as have been approved by the Board at the time of the delivery of the proposed additional Series of Bonds, or (B) a written statement of the County Manager, the Finance Officer or County Representative, which projects Operating Expenses, Revenues and Net Revenues for two full Fiscal Years following the anticipated completion of the System Improvements to be financed with such proposed additional Series of Bonds and which demonstrates that, on the basis of such projections, the County can comply with the Rate Covenant, taking into account those rates, fees and other charges which are in effect at the time of the delivery of the proposed additional Series of Bonds and any future changes therein as have been approved by the Board at the time of the delivery of the proposed additional Series of Bonds.

(h) Completion Bonds may be issued without limitation; provided, however, that prior to the issuance of such Completion Bonds, the County will furnish to the Bond Registrar (a) a certificate of a Consulting Engineer estimating the costs of completing the facilities for which such Completion Bonds are to be issued and (b) a certificate of the County Manager, the Finance Officer or County Representative, certifying that the amount of such Completion Bonds to be issued will be sufficient, together with other funds, if applicable, to complete construction of the facilities as estimated by the Consulting Engineering with respect to which such Completion Bonds are to be issued.

(i) If any Bonds are issued to refund any Indebtedness, the following:

(1) Evidence that the County has made provisions as required by this Bond Order or the documents providing for issuance of Subordinate Debt for the payment or redemption of all Indebtedness to be refunded;

(2) Either (A) a written determination by the County Manager, the Finance Officer or County Representative, or other evidence satisfactory to the Bond Registrar that after the issuance of such Bonds and the provision for payment or redemption of all Indebtedness to be refunded, the Annual Debt Service requirements for each Fiscal Year in which there will be Outstanding Indebtedness not to be refunded will not increase more than 5% of what the Annual Debt Service requirements for such Fiscal Year would have been on all Senior Debt immediately prior to the issuance of such Bonds, including the Indebtedness to be refunded (if such Indebtedness was Senior Debt), and that the final maturity of Indebtedness being refunded has not been extended, or (B) a certificate as described in subsection (g)(2) of this Section.

(j) A request and authorization of the County, signed by the County Manager or County Representative, to the Bond Registrar to authenticate and deliver such Bonds to the purchaser upon receipt for the account of the County of a specified sum plus accrued interest to the date of delivery.

(k) Written evidence of approval by the Commission as required by Section 3.02.

Except for the requirements of subsection (c) of this Section (which may be waived by the purchasers of such Bonds by an instrument or concurrent instruments in writing signed by such purchasers), none of the requirements in this Section may be waived without the consent of the Commission and the holders of not less than a majority in aggregate principal amount of the Outstanding Bonds.

Section 3.02. Approval by Local Government Commission. No Bonds shall be issued unless they are approved and sold by the Commission and until the Secretary shall have endorsed thereon a certificate evidencing approval in accordance with the Act.

Section 3.03. Subordinate Debt. Notwithstanding anything in this Bond Order to the contrary, the County may at any time issue Subordinate Debt so long as rates, fees and charges are in effect or scheduled to go into effect to meet the Rate Covenant immediately after the issuance of such Subordinate Debt. Subordinate Debt may not be accelerated if any Senior Debt is outstanding. The proceedings approving the issuance or execution of any Subordinate Debt shall expressly provide such debt is subordinate to Senior Debt.

Section 3.04. Bond Anticipation Notes. The County is authorized to issue, in anticipation of the receipt of the net proceeds of any Bonds, System revenue Bond Anticipation Notes for the purpose of providing funds to pay the Costs of the Project or any System Improvements. The payment of the principal of, redemption premium, if any, and interest on such Notes shall be secured by a pledge, charge and lien upon the proceeds of any Bonds, if and when issued, and by the pledge of the Pledged Net Revenues pursuant to Section 5.02. All covenants, obligations and agreements of the County contained in this Bond Order shall be deemed to be covenants, obligations and agreements of the County with the Holders of any Bond Anticipation Notes hereafter issued.

ARTICLE IV REDEMPTION OF BONDS BEFORE MATURITY

Section 4.01. Terms and Conditions. The Bonds, and the respective installments of principal corresponding thereto, shall be subject to redemption, both in whole and in part, at such times and prices, as may be provided by the Series Resolution authorizing the issuance of such Bonds. The Bonds of any Series to be called for redemption shall be selected as provided in the applicable Series Resolution. The Bond Registrar shall treat each Bond of a denomination greater than the minimum denomination authorized in the applicable Series Resolution as representing the number of separate Bonds of such minimum denomination as can be obtained by dividing the Bond's actual principal amount by such minimum denomination.

Section 4.02. Notice of Redemption and Prepayment. Unless otherwise provided in the applicable Series Resolution, the Bond Registrar, upon being satisfied as to the payment of its expenses, shall send notice of the call for redemption, identifying the Bonds or portions thereof to be redeemed, not less than 30 nor more than 60 days prior to the redemption date, (a) by facsimile, registered or certified mail or overnight express delivery, to the Commission and to the holder of each Bond to be redeemed at his address as it appears on the registration books kept by the Bond Registrar, (b) by facsimile, registered or certified mail or overnight express delivery, to all organizations registered with the Securities and Exchange Commission as securities depositories, and (c) to each nationally recognized municipal securities information repository designated as such by the Securities and Exchange Commission. No such notice with respect to mandatory sinking fund redemptions is required to be sent to the Commission.

Failure to give any notice specified in (a) above, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Bond with respect to which no such failure or defect has occurred. Failure to give any notice specified in (b) or (c) above, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Bonds with respect to which the notice specified in (a) above is correctly given.

Any notice mailed or provided herein shall conclusively be presumed to have been given whether or not actually received by any Bondholder.

Section 4.03. Payment of Redeemed Bonds. Notice having been given in the manner provided, the Bonds so called for redemption shall become due and payable on the redemption date so designated at the redemption price set forth in such notice. Upon presentation and surrender of the Bonds so called for redemption at the place of payment specified in such notice, together with a written instrument of transfer satisfactory to the Bond Registrar, duly executed by the Holder or his duly authorized attorney, such Bonds shall be paid at the aforementioned redemption price. In case part but not all of an outstanding bond shall be selected for redemption, the Holder thereof or his attorney or legal representative shall present and surrender such Bond to the Bond Registrar for payment of the applicable redemption price and the County shall execute and the Bond Registrar shall authenticate and deliver to or upon the order of such Holder or his legal representative, without charge therefor, for the unredeemed portion of the principal amount of the Bond so surrendered, a registered Bond of the same series and maturity, bearing interest at the same rate and of any authorized denomination.

If, on the redemption date, moneys for payment of the redemption price of all the Bonds to be redeemed shall be available therefor at the place of payment specified in the notice of redemption, then from and after the redemption date, the Bonds or the installments of principal thereof so called for redemption shall cease to bear interest. All moneys held for the redemption of particular Bond or for the prepayment of particular installments thereof shall be held in trust

for the account of the Holders of the Bonds so to be redeemed or prepaid, subject to the provisions of Section 5.08.

If moneys shall not be available on the redemption date, such Bonds shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

The Paying Agent shall provide for a mandatory sinking fund redemption of any Term Bonds in accordance with the schedules set forth in the Series Resolution for such Bonds; provided, however, that on or before the forty-fifth (45th) day next preceding any such sinking fund payment date, the County may:

- (1) deliver to the Bond Registrar for cancellation Term Bonds of the maturity required to be redeemed on such sinking fund payment date in any aggregate principal amount desired; or
- (2) instruct the Bond Registrar to apply a credit against the County's next sinking fund redemption obligation for any such Term Bonds that previously have been redeemed (other than through the operation of the sinking fund) and canceled but not theretofore applied as a credit against any sinking fund redemption obligation.

Upon the occurrence of any of the events described in the subsections (1) or (2) of this Section, the Paying Agent shall credit against the County's sinking fund redemption obligation on the next sinking fund payment date the amount of such Term Bonds so delivered or previously redeemed. Any principal amount of such Term Bonds in excess of the principal amount required to be redeemed on such sinking fund payment date shall be similarly credited in such order as may be determined by the County Manager or the Finance Officer against future payments to the Sinking Fund Account and shall similarly reduce the principal amount of the Term Bonds of the applicable Series to be redeemed on the next sinking fund payment date. Within seven days of receipt of such Term Bonds or instructions to apply as a credit, any amounts remaining in the Sinking Fund Account in excess of the amount required to fulfill the remaining required sinking fund redemption obligation on the next sinking fund payment date shall be used in such manner as determined at the direction of the County.

Section 4.04. Cancellation of Redeemed Bonds. All Bonds redeemed prior to maturity shall be cancelled forthwith.

Section 4.05. Purchase in Lieu of Redemption. The County may purchase or cause to be purchased any Bonds of any particular Series or maturity in lieu of redemption of such Bonds (in which event any Bonds so purchased shall be cancelled as provided in Sections 2.08 and 4.04) or for any other purpose pursuant to written instructions given by the County to the Bond Registrar. Such purchases shall be made in such manner as directed by the County. The County or the Paying Agent shall pay the purchase price of such Bonds together with accrued interest thereon from such funds as may be available therefor pursuant to this Bond Order, any Series Resolution, or as otherwise may be made available by the County.

ARTICLE V REVENUES AND FUNDS

Section 5.01. Creation of Funds and Accounts. There are hereby established the following funds and Accounts to be held by the Paying Agent as indicated below:

- (a) County of Currituck Water System Revenue Fund;
- (b) County of Currituck Water System Revenue Bond Fund, in which there shall be established an Interest Account, a Principal Account and a Sinking Fund Account, and a separate subaccount in each such Account with respect to each Series of Bonds issued hereunder, as applicable;
- (c) County of Currituck Water System Debt Service Reserve Fund, in which there shall be established a Series Debt Service Reserve Account for each Series of Bonds which has a Series Debt Service Reserve Requirement;
- (d) County of Currituck Water System Subordinate Debt Account.

The Funds and accounts described in 5.01(a) through (d) shall be held by the Finance Officer so long as (i) the County has not failed to be in compliance with the rate covenant described in Section 7.01 for two consecutive years, or (ii) an Event of Default has not occurred. If (i) or (ii) applies, such Funds and accounts shall be transferred to a Paying Agent (other than the Finance Officer) appointed in accordance with Section 9.02. So long as the Finance Officer holds the Funds and accounts, all money received for deposit in such Funds and accounts shall be held by a Depository on behalf of the County. The money in all of the funds, accounts and subaccounts established pursuant to this Article V shall be held in trust and applied as hereinafter provided and, pending such application, the money in the Bond Fund and the accounts and subaccounts therein shall be subject to a pledge, charge and lien in favor of the Holders of the respective Series of Bonds issued and Outstanding under this Bond Order and for the further security of such Holders, except as otherwise provided herein or in any Series Resolution.

Section 5.02. Pledge of Pledged Net Revenues. The County hereby pledges the Pledged Net Revenues to secure the payment of the principal of, redemption premium, if any, and interest on the Bonds. The Receipts, as received by the County, shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act and the lien of this pledge shall have priority over any or all other obligations and liabilities of the County, including any general obligation bonds or notes issued in anticipation thereof, heretofore or hereafter issued by the County for the purpose of providing water systems or facilities and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the County irrespective of whether such parties have notice thereof.

Section 5.03. Application of Receipts Received by the County. All Receipts collected by or on behalf of the County shall be deposited by the County with the Paying Agent as soon as practicable following the receipt thereof and held by the Paying Agent in the Revenue Fund. The County shall pay Operating Expenses from the moneys in the Revenue Fund in accordance with the Annual Budget; provided, however, that nothing in this Bond Order shall prevent the County from paying any Operating Expenses from any other funds legally available to the County for such purpose. Pledged Net Revenues shall be applied by the County in accordance with Section 5.04.

Any balance remaining in the Revenue Fund on June 30 of each Fiscal Year may be transferred by the County in the following Fiscal Year, by resolution of the Board, to the general fund or any other fund or account specified by the County; provided, however, that there shall be no existing Event of Default hereunder; and provided, further, that no such transfer shall be made unless no deficiency exists in any fund, account or subaccount as of such June 30 and there is filed with the Board a certificate certifying that, in such County Representative's opinion, the amount to be so transferred will not materially adversely affect the ability of the County to pay in such following Fiscal Year the Operating Expenses, make the payments required by Section 5.04 and meet all other financial obligations imposed by this Bond Order.

Section 5.04. Withdrawals from the Revenue Fund. Throughout the month but no later than the last Business Day of each month, the Finance Officer shall debit from the Revenue Fund amounts sufficient to pay Operating Expenses during such month. Pledged Net Revenues shall be disbursed on the last Business Day of each month in the following order (except that no distinction or preference shall exist in the use in an amount sufficient to make the following deposits of Pledged Net Revenues for payment into the Interest Account, the Principal Account or the Sinking Fund Account of the Bond Fund, such accounts being on a parity with each other as to payment from Pledged Net Revenues):

(a) To the subaccounts established for each Series of Bonds in the Interest Account, Principal Account and Sinking Fund Account in the Bond Fund the amounts, if any, set forth in the applicable Series Resolution with respect to each Series of Bonds and such deposits shall be adjusted to give credit for any other available money then in such interest account or subaccount or otherwise available and designated to be used for such purpose, and (ii) to the appropriate party, as determined by the County, the amount, if any, required for the payment of interest, principal and sinking fund payments on loans under the State Revolving Loan Program. Moneys in the Interest Account shall be used to pay interest required to be paid on any Interest Payment Date related to such Series of Bonds. Moneys in the Principal Account shall be used to pay principal required to be paid on any principal payment date related to such Series of Bonds. Moneys in the Sinking Fund Account shall be used to pay the amount required for mandatory sinking fund redemption on the applicable redemption date related to such Series of Bond.

(b) To the applicable Account in the Debt Service Reserve Fund with respect to each Senior Debt issue the amounts, if any, necessary to restore the amount on deposit therein to the related Series Debt Service Reserve Requirement.

(c) To the Subordinate Debt Account, the amount equal to the deposits to such funds and accounts required by the related Series Resolution or other documents evidencing such debt.

If the County fails to make the deposits required by subsection (a) through (c) of this Section, the Paying Agent shall give notice of such failure to the County Manager and the Commission within 10 days of such failure.

In the event the balance on deposit in the Principal Account, Sinking Fund Account or the Interest Account is insufficient for the purposes thereof, the Paying Agent shall transfer for deposit in such Accounts, such amounts as may be necessary therefor from the applicable Series Debt Service Reserve Account pursuant to Section 5.07. In addition, in the month following a month in which the County has failed to make any deposit or payment required by subsections (a), (b) and (c) of this Section 5.04, the County shall deposit or pay, in addition to the amounts then due, but only from Pledged Net Revenues, an amount sufficient to cure the deficiency in deposit or payment in the prior month unless such deficiency is cured by a transfer, pursuant to the terms of this Bond Order, of money to such fund or account.

In the event the amount on deposit in the Interest Account on any interest payment date shall exceed the amount required to pay interest on the Senior Debt on the next interest payment date, the County shall, if the amount on deposit in any Series Debt Service Reserve Account is less than the applicable Series Debt Service Reserve Requirement, instruct the Paying Agent to transfer such excess to any Series Debt Service Reserve Account to the extent of such deficiency, and otherwise retain any remaining excess in the Interest Account or instruct the Paying Agent to transfer any remaining excess to the related Principal Account to be credited against subsequent required deposits thereto, as determined by the County Manager or his designee.

In the event the amount on deposit in the Principal Account or Sinking Fund Account on any principal payment or mandatory redemption date shall exceed the amount required on such date to pay Bonds at maturity or to redeem Term Bonds pursuant to mandatory sinking fund requirements, the County shall, if the amount on deposit in any Series Debt Service Reserve Account is less than the applicable Series Debt Service Reserve Requirement, instruct the Paying Agent to transfer such excess to the Series Debt Service Reserve Account to the extent of such deficiency, and otherwise retain such excess in the Principal Account or instruct the Paying Agent to transfer such excess to the Interest Account to be credited against subsequent required deposits thereto, as determined by the Finance Officer or his designee.

Section 5.05. Application of Moneys in Bond Fund. All moneys in the Bond Fund shall be held in trust for the payment of the principal of and the interest on the Bonds and no amount shall be withdrawn from or paid out of the Bond Fund except as provided herein.

On each Interest Payment Date or on such other date as may be specified in the applicable Series Resolution, the Paying Agent shall withdraw from the applicable subaccount in the Interest Account and pay the amounts required to pay interest on the respective Bonds. On each principal payment date, the Paying Agent shall withdraw from the applicable subaccount in the Principal Account and pay the amount necessary to pay the principal of such Bonds at their respective maturities. Money held for the credit of the subaccounts in the Sinking Fund Account shall be applied during each Fiscal Year to the retirement, purchase, redemption or payment of Term Bonds in the manner provided in the applicable Series Resolution.

Section 5.06. Application of Moneys in Debt Service Reserve Fund.

(a) Each Series Resolution shall set forth whether an Account in the Debt Service Reserve Fund is required to be funded in the amount of the applicable Series Debt Service Reserve Requirement on the Closing Date of such Series of Bonds. To the extent that such Account shall be required to be funded pursuant to the terms of a Series Resolution, amounts in each Account in the Debt Service Reserve Fund shall be used to pay debt service on the related Series of Bonds on the date such debt service is due when insufficient funds for that purpose are available in the Bond Fund; provided, however, that all amounts in an Account in the Debt Service Reserve Fund shall be used, together with other amounts available for such purpose hereunder, to provide for payment of the related Series of Bonds when the aggregate of such amounts is sufficient for such purpose. Amounts in each Account of the Debt Service Reserve Fund shall be pledged to Holders of the related Series.

(b) In lieu of or in addition to cash or investments, at any time the County may cause to be deposited to the credit of any Series Debt Service Reserve Account any form of credit facility, including a surety bond, in the amount of all or a portion of the Series Debt Service Reserve Requirement, irrevocably payable to the Paying Agent as beneficiary for the holders of the respective Series of Bonds, which credit facility shall be satisfactory to the holders of such Series of Bonds.

If a disbursement is made pursuant to any credit facility, the County shall either (a) reinstate the maximum limits of such credit facility, or (b) deposit to the credit of the applicable Series Debt Service Reserve Account moneys in the amount of the disbursement made under such credit facility from available Revenues. To the extent such moneys are still insufficient, then the County shall transfer to the Paying Agent from any legally available moneys the amount of such deficiency as soon as practicable and in any event within one year by depositing one-twelfth of the required amount each month.

Amounts, if any, released from any Series Debt Service Reserve Account upon deposit to the credit of such Account of a credit facility shall, upon designation by a County Representative, accompanied by an opinion of Bond Counsel that such use will not adversely affect the exclusion from gross income of interest on the respective Series of Bonds, be transferred (a) to the subaccount of the Principal Account with respect to such Series of Bonds and used to pay principal of or to redeem such Series of Bonds, or (b) to the County to be used to pay all or any portion of the Costs of the Project designated by the County and approved by Bond Counsel.

(c) On or within five days after each Reserve Determination Date, the Paying Agent shall determine if the balance on deposit in each Series Debt Service Reserve Account was, as of the Reserve Determination Date, at least equal to the applicable Series Debt Service Reserve Requirement. In making such determination, any obligations in the Series Debt Service Reserve Account shall be valued in accordance with Section 6.03.

In the event the amount on deposit in any Series Debt Service Reserve Account is less than the applicable Series Debt Service Reserve Requirement, the Paying Agent shall transfer moneys to such Series Debt Service Reserve Account to restore such Series Debt Service Reserve Requirement from available Revenues. In the event the amount on deposit in a Series Debt Service Reserve Account is less than the applicable Series Debt Service Reserve

Requirement after such transfer, then the County shall transfer to the Paying Agent from any legally available moneys the amount of such deficiency as soon as practicable and in any event within one year by depositing one-twelfth of the required amount each month.

In the event the amount on deposit in a Series Debt Service Reserve Account exceeds the applicable Series Debt Service Reserve Requirement, the Paying Agent shall (a) transfer such excess to the Bond Fund to be deposited in the related Series subaccount in the Interest Account and the related Series subaccount in the Principal Account to the extent amounts in such subaccounts are less than the amounts required to be paid on the next interest payment date and principal payment date, respectively, (b) thereafter transfer such excess to the Bond Fund to be deposited, as directed by a County Representative, in the Interest Account or the Principal Account to the extent amounts in such accounts are less than the amounts required to be paid on the next interest payment date and principal payment date, respectively, and (c) transfer such excess to the County to be used to pay all or any portion of the Costs of the Project designated by the County and approved by Bond Counsel; provided, however, that if a County Representative calls for a Reserve Determination Date in connection with the refunding and/or defeasance of a Series of Bonds, then the Paying Agent is authorized to take such refunding and/or defeasance into account in valuing the Series Debt Service Reserve Account securing such Series of Bonds and is further authorized to apply the amount of any surplus arising from such valuation to reduce the amount of the refunding bonds and/or to provide for the defeasance of the Series of Bonds in such manner as the Authorized Representative of the County may direct.

Section 5.07. Disposition of Balances in Funds after Payment of Indebtedness. After the principal of and premium, if any, and interest on all of the Indebtedness, any amounts required to be paid pursuant to the terms of this Bond Order or any Series Resolution and all expenses and charges herein required have been paid or provision therefor has been made, the Paying Agent shall pay to the County any balance remaining in any fund then held by it.

Section 5.08. Unclaimed Moneys. All moneys which the County shall have withdrawn from the Bond Fund and Debt Service Reserve Fund or shall have withdrawn from any other source and set aside for the purpose of paying any of the Bonds hereby secured shall be subject to Section 2.08 hereof.

Section 5.09. Cancellation. All Bonds paid, redeemed or purchased either at or before maturity, shall, at the direction of the County, be delivered to the Paying Agent or to the County when such payment, redemption or purchase is made and such Bonds shall thereupon be cancelled. All Bonds cancelled under any of the provisions of this Bond Order shall be destroyed by the Bond Registrar which shall execute a certificate in duplicate describing the Bonds so destroyed, and one executed certificate shall be filed with the County and the second executed certificate shall be retained by the Bond Registrar.

Section 5.10. Revenues Received and Applied by the Paying Agent.

(a) If the Paying Agent shall have notice, pursuant to Section 7.01, that an Event of Default shall have occurred and be continuing, or if the Pledged Net Revenues shall for two consecutive Fiscal Years be less than the sum required pursuant to Section 7.01, the County shall designate a bank or trust company as the Paying Agent as required by Section 9.02 hereof, and all funds created under Section 5.01, including the Revenue Fund, shall thereafter be held by the Paying Agent, and thereafter the County shall deposit all Receipts, as received, with the Paying Agent.

(b) The Paying Agent shall apply such Receipts first in such amounts as it shall determine to pay Operating Expenses and thereafter to make the deposits required of the County pursuant to Section 5.04.

(c) All Receipts shall continue to be so deposited with the Paying Agent until all Events of Default hereunder have been cured to the satisfaction of the Paying Agent or provision deemed by the Paying Agent to be adequate shall have been made therefore and the Pledged Net Revenues shall be not less than the sum required pursuant to Section 7.01, as the case may be, whereupon (i) the Receipts held by the Paying Agent shall be transferred promptly to the Revenue Fund held by the County and (ii) the Receipts shall again be deposited when received in the Revenue Fund held by the County.

ARTICLE VI
SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

Section 6.01. Security for Deposits. All moneys deposited with the County or any other Depository designated by the Board hereunder in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other Federal agency shall be continuously secured, for the benefit of the County and the Holders of the Bonds, in such manner as may then be required or permitted by applicable state or Federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, including applicable regulations of the Commission.

Section 6.02. Investment of Funds. Moneys held for the credit of the Revenue Fund the Bond Fund shall, as nearly as may be practicable, be continuously invested and reinvested, at the County's direction, in Qualified Investments which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates when the moneys held for the credit of each such Fund or Account will be required for the purposes intended. Moneys held for the credit of the Debt Service Reserve Fund shall, as nearly as may be practicable, be continuously invested and reinvested in Qualified Investments which shall mature, or which shall be 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 shall be deemed at all times to be part of such Fund or Account, and the interest accruing thereon and any profit realized therefrom shall 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 the County Representative shall 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 shall be valued at the lower of cost or market.

Section 6.03. Valuation. In computing the amount in any fund or Account created by this Bond Order, except for the Debt Service Reserve Fund, obligations purchased as an investment of moneys therein shall be valued at cost or fair market value thereof, whichever is lower, plus accrued interest. Investments in the Debt Service Reserve Fund shall be valued at least semiannually at the fair market value thereof, plus accrued interest. Such valuations for each such fund or Account, other than the Debt Service Reserve Fund, shall be made by the party holding each such fund or Account at least annually not later than the end of each Fiscal Year and at such other times as the County may deem appropriate.

ARTICLE VII RATE COVENANT; OTHER COVENANTS

Section 7.01. Rates and Charges.

(a) The County covenants and agrees that, subject to any applicable requirements of law or regulations, it will fix Service Charges and from time to time to revise such Service Charges in such manner that the Net Revenues for each Fiscal Year shall not be less than an amount necessary to provide debt service coverage of one hundred fifteen percent (115%) of the Debt Service Requirement for all Senior Indebtedness for such Fiscal Year and one hundred percent (100%) of the Debt Service Requirement for all Subordinate Debt for such Fiscal Year.

(b) If at the end of any Fiscal Year the County is not in compliance with the Rate Covenant, the County shall immediately notify the Commission and request an Independent Consulting Engineer to submit a written report and recommendations with respect to increases in the County's rates, fees and other charges and improvements in the operations of and the services rendered by the Water System and the County's accounting and billing procedures necessary to bring the County into compliance with the Rate Covenant. The report and recommendations shall be filed with the Paying Agent, the County and the Commission within 120 days from the date of discovery of noncompliance with the Rate Covenant. The County shall promptly revise its rates, fees, charges, operations and services in conformity with the report and recommendations of the Independent Consulting Engineer to the extent permitted by law.

(c) If the County promptly revises its rates, fees, charges, operations, services and procedures in conformity with the report and recommendations of the Independent Consulting Engineer and otherwise follows such recommendations to the extent permitted by law so that the County is expected to be, when its actions become fully effective, in compliance with the Rate Covenant, then any failure to meet the Rate Covenant will not constitute an Event of Default under this Bond Order so long as no other Event of Default has occurred and is continuing.

Section 7.02. Payment of Bonds and Observance of Covenants. The County covenants that it will promptly pay the principal of and the interest on every Bond issued under the provisions of this Bond Order at the places, on the dates and in the manner provided herein and in such Bonds and any premium required for the retirement of such Bonds by purchase or redemption, according to the true intent and meaning thereof. Except as in this Bond Order otherwise provided, the principal, interest and premiums are payable solely from Pledged Net

Revenues, which are hereby pledged to the payment thereof in the manner and to the extent hereinabove particularly specified, and nothing in the Bonds or in this Bond Order shall be construed as obligating the County to pay the Bonds or the interest thereon except from Pledged Net Revenues or as pledging the faith and credit of the County or as obligating the County, directly or indirectly or contingently, to levy or to pledge any form of ad valorem tax whatever therefor. 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 herein or in the Bonds.

Section 7.03. Construction of Project and System Improvements. The County covenants that it will forthwith diligently proceed to complete the Project and any System Improvements in accordance with plans and specifications which shall have been approved by the Consulting Engineers and in conformity with law and all requirements of all governmental authorities having jurisdiction thereover, and that it will complete such construction with all expedition practicable.

The County further covenants and agrees that it will require each person, firm or corporation with whom 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, or, in lieu thereof, to deposit with the Depository marketable securities having a market value equal to the amount of such contract and eligible as security for the deposit of trust funds under regulations of the Comptroller of the Currency of the United States, and to carry such workmen's compensation or employers' liability insurance as may be required by law and such builders, risk insurance, if any, as may be required by the Consulting Engineers. 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 or securities shall have been furnished.

Section 7.04. Operation and Maintenance of System. 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.

Section 7.05. 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 shall 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 that:

(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; and

(b) if any rates, fees or charges for the services and facilities furnished by the System shall not be paid within thirty days after the same shall become due and payable, the County shall 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.

Section 7.06. Payment of Lawful Charges. The County covenants that, from 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 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 Revenues; provided, however, that nothing in this Section contained shall require the County to pay or cause to be discharged, or make provision for, any such lien or charge so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

Section 7.07. Insurance and Reconstruction. The County shall continuously maintain insurance with recognized responsible commercial insurance companies against such risks and in such amounts as are customary for public bodies owning and operating similar systems, including (a) insurance against loss or damage to the System, (b) public liability insurance against liability for bodily injury, including death resulting therefrom, and for damage to property, including loss of use thereof, arising out of the ownership or operation of the System, and (c) workers' compensation insurance with respect to the System.

In lieu of insurance written by commercial insurance companies, the County may maintain a program of self-insurance or participate in group risk financing programs, including sponsored insurance programs, risk pools, risk retention groups, purchasing groups and captive insurance companies, and in state or Federal insurance programs; provided, however, that the County shall obtain and maintain on file an annual favorable written opinion of a Independent Consulting Engineer that such alternative is reasonably acceptable with respect to the coverages under all the circumstances.

Section 7.08. Annual Budget of Operating Expenses. The County covenants that it shall develop an Annual Budget for each Fiscal Year consistent with the budget preparation schedule set forth in the State's applicable fiscal control statutes. If for any reason the Board shall not have adopted the Annual Budget before the first day of any Fiscal Year, the budget for the preceding Fiscal Year shall, until the adoption of the Annual Budget, be deemed to be in force.

The Board 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 shall be approved in the manner hereinbefore prescribed for the Annual Budget.

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 appropriate budget. Nothing in this Section contained shall limit the amount which the County may expend for Operating Expenses in any Fiscal Year provided any amounts expended therefor in excess of the appropriate budget shall be received by the County from some source other than Revenues and the County shall not make any reimbursement therefor from such Revenues.

Section 7.09. Records, Books and Audits. The County covenants that it will 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 all items of cost and of all expenditures relating to the System and of the Revenues collected and the application of such Revenues. Such records and accounts shall at all times during normal business hours be open to the inspection of the Commission and the Holders of the Bonds. The County covenants that it will maintain a separate fund in its financial statements for the System (which is currently designated as the "Mainland Water Fund").

The County further covenants that promptly after the close of each Fiscal Year it will cause 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 Board and will cause 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 a reasonable time thereafter, reports of each such audit and copies of each such annual report shall be mailed by the Clerk to the Consulting Engineers, the Commission, the Paying Agent (if other than the Finance Officer) and, upon request, to each Bondholder. Each such audit report shall be in accordance with generally accepted accounting principles and shall set forth in respect of the preceding Fiscal Year, among other matters, the Revenues and Operating Expenses of the System, 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 a certificate of such certified public accountants indicating whether (a) the moneys received by the County under this Bond Order have been applied in accordance with the provisions of this Bond Order, (b) the County is in compliance with the Rate Covenant as of the end of such Fiscal Year, and (c) the County is in default in the performance of any of the covenants contained in Article V hereof. Included in each such audit shall be a calculation of the rate covenant described in Section 5.01 for such Fiscal Year. In addition, in connection with the delivery of such audit report, the Finance Officer shall deliver to the Commission a certificate indicating that no Event of Default has occurred hereunder, or, if an Event of Default has occurred, the nature of such default.

Section 7.10. Sale or Encumbrance. The County covenants that it will 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 Board 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 Board may determine is not needed in connection with the maintenance and operation of such System. The proceeds from any sale, lease or disposition of the System, in whole or in part, shall be applied to the

replacement of the properties so sold or otherwise disposed of or shall be deposited as provided in Section 5.04.

Section 7.11. Damage, Destruction, Condemnation and Loss of Title. If all or any part of the Project is destroyed or damaged by fire or other casualty, condemned or lost by failure of title, the County shall restore promptly the property destroyed or damaged to substantially the same condition as before such destruction, damage, condemnation or loss of title with such alterations and additions as the County may determine and which will not impair the capacity or character of the Project for the purpose for which it is then being used or is intended to be used. The County shall apply so much as may be necessary of such Net Proceeds received on account of any such destruction, damage, condemnation or loss of title to payment of the cost of such restoration, either on completion or as the work progresses. If such Net Proceeds are not sufficient to pay in full the cost of such restoration, the County shall pay so much of the cost as may be in excess of such Net Proceeds from any legally available moneys. Any balance of such Net Proceeds remaining after payment of such restoration shall be deposited in the Bond Fund.

Section 7.12. Creation of Liens. The County covenants that it will not create or permit to be created any charge or lien on the Pledged Net Revenues ranking equally with or prior to the charge or lien on the Pledged Net Revenues of the Bonds issued and secured hereunder unless otherwise required by applicable law.

Section 7.13. 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, 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 the 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 Pledged Net Revenues and all the rights of the Holders against all claims and demands of all persons whomsoever.

ARTICLE VIII DEFAULTS AND REMEDIES

Section 8.01. Events of Default. Each of the following events is hereby declared an “event of default”:

(a) payment of the principal and premium, if any, of any of the Bonds shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) payment of any installment of interest shall not be made when the same shall become due; or

(c) the County shall for any reason be rendered incapable of fulfilling its obligations hereunder; or

(d) any substantial part of the System, necessary for its efficient operation, shall be destroyed or damaged and shall not be promptly repaired, replaced or reconstructed (whether such failure promptly to repair, replace or reconstruct the same be occasioned by the impracticability of such repair replacement or reconstruction or the lack of funds therefor or any other reason); or

(e) an order or decree shall be entered, with the consent or acquiescence of the County, appointing a receiver or receivers of the System or of the Revenues, or if such order or decree, having been entered without the consent or acquiescence of the County shall not be vacated or discharged or stayed on appeal within sixty (60) days after the entry thereof; or

(f) any proceeding shall be instituted, with the consent or acquiescence of the County, for the purpose of effecting a composition or agreement between the County and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable out of Revenues; or

(g) the County shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in this Bond Order on the part of the County to be performed, and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the County by the Holders of not less than twenty-five per centum (25%) in principal amount of the Bonds then outstanding.

Section 8.02. Bonds Declared Due and Payable. Upon the happening and continuance of any event of default specified in Section 8.01 of this Bond Order, then and in every such case the Holders of a majority in principal amount of the Bonds then outstanding may, by a notice in writing to the County, declare the principal of all of the Bonds then outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything contained in the Bonds or in this Bond Order to the contrary notwithstanding; provided, however, that if at any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Bond Order, moneys shall become available to pay the principal of all matured Bonds and all arrears of interest, if any, upon all the Bonds then outstanding (except the principal of any Bonds not then due by their terms and the interest accrued on such Bonds since the last interest payment date), and all other amounts then payable by the County hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with a Depositary, and every other default in the observance or performance of any covenant, condition or agreement contained in the Bonds or in this Bond Order (other than a default in the payment of the principal of such Bonds then due only because of a declaration under this Section), shall have been remedied to the satisfaction of the Holders, then and in every such case the Holders may, and upon the written request of the Holders of a majority in principal amount of the Bonds not then due by their terms and then outstanding shall, by written notice to the County, rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

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, all moneys in the Bond Fund and Debt Service Reserve Fund, together with any moneys then available or thereafter becoming available for such purpose, shall be applied as provided in Section 8.07.

Section 8.03. Additional Remedies. Upon the happening and continuance of any event of default specified in Section 8.01 of this Bond Order, then and in every case the Holders may proceed to protect and enforce their rights hereunder and under the laws of the State of North Carolina, including the Act, by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant or agreement contained herein or in aid or execution of any power herein granted or for the enforcement of any proper legal or equitable remedy, as the Holders, shall deem most effectual to protect and enforce such rights.

Section 8.04. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Holders is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 8.05. Waiver of Default. No delay or omission of the Holders of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Article to the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

The Holders of a majority of the Bonds may waive any default which shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of this Bond Order or before the completion of the enforcement of any other remedy under this Bond Order, but no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon.

Section 8.06. Notice of Default. The County shall mail to the Commission and to the Holder of each Bond then outstanding written notice of the occurrence of any event of default set forth in Section 8.01 hereof as soon as practical, but in no event later than thirty (30) days after the County shall have notice that any such event of default has occurred.

Section 8.07. Application of Moneys. All moneys received by the Paying Agent pursuant to any right given or action taken under the provisions of this Article shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys, the expenses, liabilities and advances incurred or made by the Paying Agent and its fees and the expenses of the County in carrying out this Bond Order, be deposited in the Bond Fund and applied as follows and for no other purpose:

(a) Unless the principal of all the holders of Bonds shall have become due 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 on the Senior Debt, 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 Senior Debt; and

Second - To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Senior Debt which shall have become due (other than Senior Debt 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 Senior Debt at the respective rates specified therein from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full Senior Debt due on any particular date, together with such interest, then first to the payment of such interest, ratably, according to the amount of such interest due on such date, and then to the payment of such principal and premium, if any, ratably, according to the amount of such principal due on such date, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Senior Debt.

(b) If the principal of all the Senior Debt 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 on the Senior Debt, including, to the extent permitted by law, interest on overdue installments of interest, 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 Senior Debt.

(c) If the principal of all the Senior Debt shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article, then, subject to the provisions of subsection (b) of this Section in the event that the principal of all the Senior Debt shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of subsection (a) of this Section.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times and from time to time as the Paying Agent shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Paying Agent shall apply such moneys, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) on which such application is to be made and on such date interest on the amounts of principal to be paid and on such dates shall cease to accrue. The Paying Agent shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date.

Whenever there are moneys remaining after application to the Bond Fund for the payment of Senior Debt, the Paying Agent shall apply such remaining moneys, allocated in a similar manner as provided above, to the payment of Subordinate Debt.

Whenever the principal of and premium, if any, and interest on all Senior Debt have been paid under the provisions of this Section, all payments required by the terms of any Series Resolution have been paid and all expenses and charges of the Paying Agent have been paid, any balance remaining in the several funds created by this Bond Order shall be paid to the County as provided in Section 6.10.

ARTICLE IX THE PAYING AGENT AND BOND REGISTRAR

Section 9.01. Designation of Bond Registrar and Paying Agent. Upon issuance of the Initial Bond, the County's Finance Officer shall serve as Paying Agent and Bond Registrar. The Finance Officer may continue in such roles unless and until (a) the events described in Section 5.10(a) occur, or (b) the County adopts a Series Resolution providing for a Series of Bonds to be issued in any method other than a private placement with an institutional investor. In either event described in (a) or (b) above, the County shall appoint a Paying Agent and Bond Registrar meeting the requirements of Section 9.02, and shall transfer all funds and accounts created under Section 5.01 to such Paying Agent; provided that, so long as the events described in Section 5.10(a) have not occurred, the Revenue Fund shall continue to be held by the County. In addition, at any time during the continuation of an Event of Default, the Holders of at least a majority in principal amount of Bonds may appoint a Paying Agent and Bond Registrar meeting the requirements of Section 9.02. The County may at any time appoint a Bond Registrar and a Paying Agent meeting the requirements of Section 9.02 to administer the provisions of this Bond Order and may adopt such supplements to this Bond Order as shall be necessary or desirable to effectuate such appointment.

Section 9.02. Paying Agent. (a) The Paying Agent and Bond Registrar shall be a bank or trust company with trust powers organized under the laws of the United States of America or any state of the United States, or the District of Columbia, having a combined capital stock, surplus and undivided profits aggregating at least \$100,000,000. The Paying Agent and any successor Paying Agent may resign only upon giving sixty (60) days prior written notice to the County, the Commission and each Holder. Such resignation shall take effect only upon the appointment of a successor Paying Agent by the County, acceptable to the Commission (acceptance by the Commission to be evidenced by the successor trustee's appearance on the Commission's approved trustee list or by written consent by the Secretary or Assistant Secretary of the Commission), and the acceptance of such appointment by the successor Paying Agent. If no successor is appointed within sixty (60) days after the notice of resignation, the resigning party may appoint a successor or petition any court of competent jurisdiction to appoint a successor so long as such appointee is acceptable to the Commission (acceptance by the Commission to be evidenced by the successor trustee's appearance on the Commission's approved trustee list or by written consent by the Secretary or Assistant Secretary of the Commission). Upon appointment of a successor Paying Agent, the resigning Paying Agent shall assign all of its right, title and interest in any funds and accounts created under the Bond Order to the successor Paying Agent. Any successor Paying Agent shall meet the requirements of a Paying Agent set forth above and shall accept in writing its duties and responsibilities hereunder and such writing shall be filed with the County and the Commission.

(b) Any corporation into which the Paying Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Paying Agent shall be a party, or any corporation succeeding to all or any material part of the corporate trust business of the Paying Agent, shall be the successor of the Paying Agent hereunder without the execution or filing of any paper or any further act on the part of any Person, anything herein to the contrary notwithstanding, provided that such successor Paying Agent shall be eligible to serve as Paying Agent under the provisions of this Bond Order, including being acceptable to the Commission (acceptance by the Commission to be evidenced by the successor paying agent's appearance on the Commission's approved trustee list or by written consent by the Secretary or Assistant Secretary of the Commission). If the Paying Agent is not the successor corporation in any such merger or consolidation, the Paying Agent shall give notice of such event to the County and shall take such action as may be required to effect a transfer of the trust included in this Bond Order to such successor corporation

(c) Any Paying Agent approved pursuant to this Section 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 Paying Agent must act for the collective benefit of all owners of outstanding Bonds.

ARTICLE X SUPPLEMENTAL ORDERS

Section 10.01. Without Consent of Holders. The Board may amend this Bond Order in any respect prior to the delivery of the Initial Bonds; provided that, any such amendment shall be approved by the Commission.

The Board may from time to time and at any time following delivery of the Initial Bonds, 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) so long as such supplemental orders will not, in the opinion of the Paying Agent, who may rely on the written opinion of legal counsel, materially and adversely affect the interest of the Holders:

(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 of Senior Debt any additional rights, remedies, powers, authority 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, or

(e) to modify, amend or supplement this Bond Order in such manner as may be required by a Rating Agency to maintain or enhance its rating on the Senior Debt, provided that such modification, amendment or supplement does not materially adversely affect the holders of all Outstanding Senior Debt; or

(f) to modify, amend or supplement this Bond Order to implement any covenants or agreements contemplated by Section 8.04; or

(g) to authorize the issuance of and to secure one or more issues of Indebtedness pursuant to Article III.

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 Bond 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 owner of each Bond at the address appearing on the registration books and to the Commission. 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 Bond Registrar for inspection by all Holders.

Section 10.02. 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 Board 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 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 Senior Debt over any other Senior Debt without the consent of the Holders of all Senior Debt 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 Commission and the Holders of all Bonds outstanding. There shall be no modification of the Net Revenue pledge which secures the Subordinate Debt, if such respective modification would adversely affect the interest of the holders of such debt.

Section 10.03. Obtaining Consent of Holders. If at any time the Board shall determine that it is necessary or desirable to adopt any supplemental order for any of the purposes of Section 10.02, the Bond Registrar, at the expense of the County, 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 Bond Registrar for inspection by all Holders. The Bond 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 Bond 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 Board 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 Board 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 Bond 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 Bond Registrar as to such action. If the County and Bond 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.

Section 10.04. 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 Board of an order to that effect, approved by the Bond Registrar, and the filing with the Board of the written consent of the Commission and the Holders of all the Bonds. No notice to Holders shall be required.

ARTICLE XI MISCELLANEOUS PROVISIONS

Section 11.01. Discharge of Bond Order. If (a) (1) all Bonds and Subordinate Debt issued hereunder shall have become due and payable in accordance with their terms or otherwise as provided in this Bond Order or have been duly called for redemption or irrevocable instructions to call the Bonds or Subordinate Debt issued hereunder to pay them at maturity have been given by the County to the Bond Registrar, and (2) the Bond Registrar holds for such purpose cash or obligations that are either noncallable direct obligations of the United States of America or noncallable obligations, timely payment of which is guaranteed by the United States of America, the principal of and the interest on which, as verified by a licensed independent certified public accountant or other entity that is qualified to provide such calculations (in any case that carries errors and omissions insurance) reasonably acceptable to the Bond Registrar and the County, at maturity will be sufficient (without reinvestment) (A) to redeem in accordance with the relevant Section hereof all Bonds or Subordinate Debt issued hereunder that have been called for redemption, or for which irrevocable instructions for call for redemption have been given, on the date set for such redemption, (B) to pay at maturity all Bonds or Subordinate Debt issued hereunder not irrevocably called for redemption, (C) to pay interest accruing on any Bonds or Subordinate Debt issued hereunder prior to its redemption or payment at maturity, (D) to make all payments required by the terms of any Series Resolution, and (E) to pay the Bond Registrar's fees and expenses and any other fees and expenses for which the County is responsible under this Bond Order, including the costs and expenses of canceling and discharging this Bond Order; (b) the Bond Registrar shall have received notification from the holders of all other Indebtedness that such Indebtedness has been paid, or payment has been provided for such Indebtedness, in accordance with the documents related thereto; and (c) the Bond Registrar and the County have received an opinion of Bond Counsel that (A) the defeasance complies with the requirements of this section, and (B) the Bonds are no longer outstanding under the Bond Order, then the Bond Registrar shall, at the expense of the County, cancel and discharge this Bond Order and execute and deliver to the County such instruments in writing as shall be necessary to cancel the lien hereof, and assign and deliver to the County any property at the time subject to this Bond Order that may then be in its possession, except moneys or securities in which such moneys are invested which are held by the Bond Registrar for the payment of principal of, or premium, if any, or interest on the Bonds and Subordinate Debt issued hereunder.

Bonds for the payment or redemption of which cash or noncallable direct obligations of the United States of America the principal of and premium, if any, and interest on which will be sufficient therefor, as determined by the Bond Registrar in reliance on a report of a licensed independent certified public accountant, shall have been deposited with the Bond Registrar (whether upon or prior to the date of their maturity or their redemption date) shall be deemed to be paid, no longer Outstanding and legally defeased; provided, however, that if such Indebtedness is to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given or arrangements satisfactory to the Bond Registrar shall have been made for the giving thereof.

Section 11.02. 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 and of the Board 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.

The Board shall have the right to enter into a contract with any public or private agency for the maintenance, operation and improvement of the System for such periods of time and under such terms and conditions which are not inconsistent with the provisions of this Bond Order as the Board shall determine to be in the best interests of the County and of the Holders of Bonds issued pursuant to the provisions of this Bond Order.

Section 11.03. Notices. Any notice, demand, direction, request or other instrument authorized or required by this Bond Order to be given to or filed with the County or the Bond Registrar shall be deemed to have been sufficiently given or filed for all purposes of this Bond Order if and when sent by registered mail, return receipt requested to the County or to the Board if addressed to Judicial Center, 2795 Caratoke Hwy., Currituck, North Carolina 27929-0039, Attention: Finance Officer, to the Paying Agent and Bond Registrar, if addressed to the address set forth in the applicable Series Resolution; and to the Commission, if addressed to the Secretary, Local Government Commission, Albemarle Building, 325 N. Salisbury Street, Raleigh, North Carolina 27603-1385;

Section 11.04. 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 Bond 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 Bond Registrar in pursuance of such request or consent.

Section 11.05. Parties Interested Herein. Except as herein otherwise expressly provided, 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 Bond 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.

Section 11.06. Limited Obligations on Bonds. Nothing in the Bonds or in this Bond Order shall be construed as pledging either the faith and credit or the taxing power of the County for their payment, or to create any debt against the County, or as conveying or mortgaging the System or any part thereof.

Section 11.07. No Recourse Against Members, Officers or Employees of County or the Commission. No recourse under, or upon, any statement, obligation, covenant or agreement contained in this Bond Order, or in any Bond or Bond Anticipation Note hereby secured, or in any document or certification whatsoever, or under any judgment obtained against the County or the Commission, or by the enforcement of any assessment, or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, shall be had against any member, officer or employee of the County or the Commission, either directly or through the County for the payment for or to, the County or the Commission or any receiver of either of them, or for, or to, any owner or holder of Bonds or bond anticipation notes or otherwise, of any sum that may be due and unpaid upon any such Bond or bond anticipation note. Any and all personal liability of every nature, whether at common law or in equity or by statute or by constitution or otherwise, of any such member, officer or employee to respond by reason of any act or omission on his or her part or otherwise, for the payment for, or to, the County or the Commission or any receiver of either of them, or for, or to, any owner or holder of Bonds, bond anticipation notes or otherwise, of any sum that may remain due and unpaid upon the Bonds or bond anticipation notes hereby secured or any of them, is hereby expressly waived and released as an express condition of, and in consideration for, the adoption of this Bond Order and the issuance of the Bonds.

Section 11.08. Severability of Invalid Provisions. In case any one or more of the provisions of this Bond Order or of the Bonds issued hereunder shall for any reason be held to be illegal or valid, such illegality or invalidity shall not affect any other provision of this Bond Order or of such Bonds, but this Bond Order and such Bonds shall be construed and enforced as if such illegal or invalid provision had not been contained therein. In case any covenant, stipulation, obligation or agreement contained in the Bonds or in this Bond Order shall for any reason be held to be in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the County to the full extent permitted by law.

Section 11.09. Issuance of Other Obligations and Expenditures for System Improvements. Nothing in this Bond Order express or implied shall be construed as preventing the County from financing System Improvements by the issuance of obligations which are not secured under the provisions of this Bond Order or from making expenditures for System Improvements from moneys received by the County solely for such purpose.

Section 11.10. Applicable Law. This Bond Order is adopted with the intent that the laws of the State of North Carolina shall govern its construction.

Section 11.11. 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.

Section 11.12. Officers' Authority. The officers and agents of the County 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.

Section 11.13. Inconsistent Matters. All orders and resolutions and parts thereof, which are in conflict or inconsistent with any provisions of this Bond Order are hereby repealed and declared to be inapplicable to the provisions of this Bond Order.

Section 11.14. Effective Date. This Bond Order shall be effective immediately upon its adoption.

Resolution for Mainland Water Revenue Bonds

Commissioner Etheridge moved to approve the SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF A \$19,000,000 CURRITUCK COUNTY WATER SYSTEM REVENUE BOND, SERIES 2008 PURSUANT TO THE PROVISIONS OF SECTION 2.01 OF THE BOND ORDER ADOPTED BY THE COUNTY COMMISSIONERS ON MARCH 17, 2008 AND REQUESTING THE LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA TO AWARD THE BONDS AT PRIVATE SALE. Commissioner Gregory seconded the motion. Motion carried.

WHEREAS, the County of Currituck, North Carolina (the "County"), a political subdivision of the State of North Carolina, owns a water system that serves the mainland portion of the County that is west of Currituck Sound (as further described in the Bond Order hereinafter referenced, the "System"), and

WHEREAS, the Board of Commissioners of the County (the "Board") on the date hereof adopted a bond order authorizing and securing Water System Revenue Bonds of the County (the "Bond Order"); and

WHEREAS, Article II of the Bond Order authorizes the issuance of revenue bonds of the County in one or more series from time to time for the purpose of providing funds for (a) paying all or any part of the cost of the Project or other System Improvements, each as defined in the Bond Order, and (b) paying expenses incidental and necessary or convenient thereto; and

WHEREAS, the Board has determined that it is necessary to acquire and construct the Project, as further described in Appendix A to this resolution; and

WHEREAS, the Board has received information to the effect that the County will be able to satisfy the requirements of Section 3.01 of the Bond Order with respect to such series of revenue bonds; and

WHEREAS, pursuant to Section 3.01 of the Bond Order, such revenue bonds are to have such terms and provisions as may be provided by a series resolution to be adopted by the Board prior to the issuance thereof; and

WHEREAS, the Commission has adopted a resolution to the effect that it approves the provisions of this resolution and recommends to the Board that the Board adopt this resolution;

NOW, THEREFORE, THE BOARD OF COUNTY COMMISSIONERS OF THE COUNTY OF CURRITUCK, NORTH CAROLINA DOES HEREBY DETERMINE AND RESOLVE, as follows:

Section 1.01. Capitalized words and terms used in this resolution (this “Series Resolution”) and not otherwise defined herein shall have the same meanings in this Resolution as such words and terms are given in the Bond Order. In addition, the following term defined in the Bond Order is modified as set forth in this Series Resolution, but only so long as BB&T (as hereinafter defined) is the sole owner of Bonds issued under the Bond Order.

“Independent Consulting Engineer” means an independent engineer, who is not an employee of the County, experienced in the field of water engineering and licensed and registered as a professional engineer in the State, who shall be reasonably satisfactory to BB&T.

Section 1.02. Pursuant to the Act and Section 3.01 of the Bond Order, the Board hereby authorizes the issuance of revenue bonds of the County in the form of a single fully registered bond designated “Currituck County Water System Revenue Bond, Series 2008” (the “Series 2008 Bond”) in the principal amount of \$19,000,000 for the purpose of providing funds, together with any other available funds, for (a) paying the Costs of the Project described in Appendix A hereto and (b) paying expenses incidental and necessary or convenient thereto. The Series 2008 Bond shall be dated as of the date of its delivery, shall be a Term Bond stated to mature (subject to the right of prior redemption) on March 1, 2028, subject to mandatory sinking fund redemption as described in Section 1.03 as set forth in Schedule I to the form of the Series 2008 Bond attached hereto as Appendix B and bearing interest at the rate of 4.09% per annum, shall be numbered R08-1 and shall be exchangeable for fully-registered bonds in denominations of not less than \$100,000 and multiples of \$5,000 in excess thereof. Interest on the Series 2008 Bond shall be payable on September 1, 2008 and thereafter semiannually on each March 1 and September 1 until the Series 2008 Bond is paid in full. There shall not be any Debt Service Reserve Requirement for the Series 2008 Bond, and the Series 2008 Bond shall not be secured by the Debt Service Reserve Fund.

Section 1.03. (a) The Series 2008 Bond shall be subject to optional redemption prior to maturity, in whole but not in part, on any Interest Payment Date through March 1, 2018, from any moneys that may be made available for such purpose, upon notice as provided in Article IV of the Bond Order and upon payment of a redemption price equal to 101% of the principal amount of the Series 2008 Bond being redeemed plus accrued interest to the redemption date. Thereafter the Series 2008 Bond shall be subject to optional redemption prior to maturity, in whole but not in part, on any Interest Payment Date from any moneys that may be made

available for such purpose, upon notice as provided in Article IV of the Bond Order and upon payment of a redemption price equal to 100% of the principal amount of the Series 2008 Bond being redeemed plus accrued interest to the redemption date.

(b) The Series 2008 Bond is subject to mandatory sinking fund redemption on the dates and in the amounts set forth on Schedule I to the form of the Series 2008 Bond, which schedule may not be modified without the consent of the Commission.

Section 1.04. The Series 2008 Bond and the Certificate of the Commission and the Certificate of Authentication to be endorsed on the Series 2008 Bond shall be substantially in the forms attached hereto as Appendix B, with such variations, omissions and insertions as are required or permitted by the this Series Resolution or the Bond Order.

Section 1.05. Payment of principal and interest on the Series 2008 Bond shall be made by the Bond Registrar on each Interest Payment Date to the person in whose name such Bond is registered on the registration books of the Bond Registrar at the close of business on the fifteenth (15th) day preceding such Interest Payment Date or mandatory sinking fund payment date by check mailed to such person at his address as it appears on such registration books or, if so instructed by the registered owner of the Series 2008 Bond (which instructions shall remain in effect until revoked by subsequent written instructions), by wire transfer on the Interest Payment Date to an account in the continental United States, as designated from time to time by the owner.

Section 1.06. The proceeds of the Series 2008 Bond will be deposited in the Project Fund created under the Project Fund Agreement dated as of March 20, 2008 between the County and BB&T (the "Project Fund Agreement"). Such funds will be delivered to the County and used to pay costs of the Project and costs of issuance with respect to the Series 2008 Bond in accordance with the terms of the Project Fund Agreement. Any interest earned or other income derived from the investment or deposit of moneys representing proceeds of the Series 2008 Bond shall be used to pay Costs of the Project.

Section 1.07. There is hereby created within the Bond Fund created by the Bond Order a Series 2008 Subaccount of the Interest Account and a Series 2008 Subaccount of the Sinking Fund Account. Subject to the provisions of Section 5.04 of the Bond Order, the County shall, on or before each Interest Payment Date and mandatory sinking fund payment date, withdraw from the Revenue Fund moneys in such amounts as shall be necessary for the purpose of making the deposits to be made pursuant to clauses (a) and (b) of this Section:

(a) commencing on September 1, 2008, and continuing on the 1st day of each March and September thereafter, to the Paying Agent for deposit to the credit of the Series 2008 Subaccount of the Interest Account the amount of interest to become due and payable on the Series 2008 Bond on such Interest Payment Date, after taking into account any amounts then held for the credit of the Series 2008 Subaccount of the Interest Account for the payment of such interest.

(b) commencing on March 1, 2009, and continuing on each March 1 thereafter, to the Paying Agent for deposit to the credit of the Series 2008 Subaccount of the Sinking Fund Account, the amount of the sinking fund payment on the Series 2008 Bond to become due and payable on such March 1, after taking into account any amounts then held for the credit of the Series 2008 Subaccount of the Sinking Fund Account for the payment of such sinking fund payment.

Notwithstanding the foregoing, so long as (a) the County is acting as Paying Agent under the Bond Order, and (b) BB&T is the sole owner of the Series 2008 Bond, the Paying Agent may make payments of principal and interest as it become dues on each Interest Payment Date directly from the Revenue Fund without first making the transfers described in (a) and (b) above.

Section 1.08. The Board hereby requests the Local Government Commission of North Carolina (the "LGC") to award the Series 2008 Bond at private sale without advertisement to Branch Banking & Trust Company ("BB&T") in the amount and at the interest rate set forth in this Resolution at a price of not less than the face value of the Series 2008 Bond plus any interest accrued thereon from the date thereof to the date of delivery of and payment therefor, subject to the approval thereof by the County Manager of the County or the Finance Officer. The provisions of the Project Fund Agreement presented to the Board for its consideration are hereby approved in all respects, and the County Manager of the County or the Finance Officer is hereby authorized to signify such approval by the execution of the Project Fund Agreement in substantially the form presented, such execution to be conclusive evidence of the approval thereof by the County.

Section 1.09. The County shall deliver to BB&T in each Fiscal Year the following:

- (a) A copy of any report and/or recommendation by an Independent Consulting Engineer under Section 7.01(b) of the Bond Order;
- (b) A copy of any notice delivered by the County pursuant to Section 7.01(b) that it is not in compliance with the Rate Covenant;
- (c) A copy of the Annual Budget promptly after its approval;
- (d) Within 150 days after the close of each Fiscal Year, a copy of the audit report for such Fiscal Year and the other documents to be prepared in connection with such audit report as required by Section 7.08 of the Bond Order; and
- (e) A copy of any notice delivered pursuant to Section 11.03 shall be delivered to BB&T as well at the following address: _____.

Section 1.10. So long as BB&T is the sole owner of all Bonds issued under the Bond Order, the sections of the Bond Order set forth below shall be amended to reads as follow:

- (a) The requirements for the issuance of any additional Series of Bonds set forth in Section 3.01(g)(2) under the Bond Order are hereby modified to read as follows:

(g)(2) A statement, signed by the County's auditors, setting forth their opinion that the estimated Net Revenues for each of the three full Fiscal Years following the issuance of such Series of Bonds will be sufficient to comply with the requirements of Section 7.01(a), taking into account all Bonds then outstanding and the scheduled debt service on the Series of Bonds to be issued. For the purposes of this subsection, any specified amount of capitalized interest to be included as an intended use of the proceeds of any such Series of Bonds (as certified by a County Representative) may be included in the calculation of Net Revenues. Estimates of future Revenues and Operating Expenses may take into

account (i) material increases in rates, fees and charges for the use of and for the services furnished or to be furnished by the System, if the Board has adopted a resolution stating its intent to adopt such increases, and (ii) estimated material increases in customers of the System if the Consulting Engineer has stated in writing that such estimates are reasonable. The County shall provide a copy of this certificate at least 30 days prior to the issuance of any such Series of Bonds by sending notice to the Paying Agent and to the registered owner of the 2008 Bond.

- (b) Any Paying Agent appointed pursuant to Section 9.02 of the Bond Order shall be reasonably acceptable to BB&T.
- (c) BB&T shall have the right to (i) make recommendations as to ways to increase revenues and decrease expenses, and to (ii) seek specific enforcement of the County's covenant to revise its rates, fees, operation and services in accordance with the recommendation of the Independent Consulting Engineer provided pursuant to Section 7.01(b).
- (d) No modification or amendment to the Bond Order shall be permitted under Section 10.01 without the written consent of BB&T.
- (e) Any verification provided under Section 11.01(a)(2) shall be provided by a certified public accountant or other entity approved by BB&T.
- (f) No Completion Bonds may be issued pursuant to Section 3.01(h) without the consent of BB&T unless the requirements of Section 3.01(g) have been met with respect to such Completion Bonds.

Section 1.11. The officers, agents and employees of the County are hereby authorized and directed to do all acts and things required of them by the provisions of the Series 2008 Bond, the Bond Order, the Project Fund Agreement and this Series Resolution for the full, punctual and complete performance of the terms, covenants, provisions and agreements therein, and any actions previously taken in connection therewith are hereby ratified, confirmed and approved.

Section 1.12. This Series Resolution shall take effect immediately upon its adoption.

APPENDIX A

DESCRIPTION OF THE PROJECT

1. Construction of a 1.5 MGD Reverse Osmosis Plant, together with 1.3 MG storage tank and related capital assets (including diffuser and pump)
2. Improvements to the water distribution system for the System, including an outfall/force main related to the Reverse Osmosis Plant, approximately 50,000 linear feet of upgraded transmission lines and 112,750 ft of force mains
3. Upgrade one waterline extension to 16" to extent possible from funding

4. Construction and installation of 2 Elevated Storage Tanks--one servicing the North and one servicing the South sections of the Mainland providing 800,000 Gallons of storage

5. Construction, engineering and lines for 4 additional wells providing approximately 1.75 MGD of water to the Osmosis Plant

APPENDIX B

PRIVATE PLACEMENT

No. R08-1		\$19,000,000
	United States of America State of North Carolina	

CURRITUCK COUNTY, NORTH CAROLINA

Water System Revenue Bond, Series 2008

<u>Maturity Date</u>	Interest Rate
March 1, 2028	4.09%

The County of Currituck (the “County”), a political subdivision of the State of North Carolina, for value received hereby promises to pay, solely from Net Revenues as hereinafter set forth, to Branch Banking & Trust Company or registered assigns or legal representative, on the maturity date specified above (or earlier as provided for herein), upon the presentation and surrender hereof at the offices of the Bond Registrar (which initially is the County, 2795 Caratoke Highway, Currituck, North Carolina 27929) or any successor Bond Registrar pursuant to the Bond Order hereinafter discussed (the “Bond Registrar”), the principal sum of NINETEEN MILLION DOLLARS AND NO/100 (\$19,000,000) in any coin or currency of the United States of America which on the date of payment thereof is legal tender for the payment of public and private debts, and to pay, solely from the special fund, to the person in whose name this bond is registered at the close of business on the 15th day of each preceding Interest Payment Date (the “Regular Record Date”), by wire transfer to such account in the continental United States as directed by such person or otherwise as provided in the Series Resolution hereinafter mentioned, the principal payment on the Maturity Date, subject to earlier redemption as set forth herein, and interest on the unpaid principal amount of this bond from the date of this bond or from the March 1 or September 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is a March 1 or September 1 to which interest shall have been paid, in which case from such date, on March 1 and September 1 in each year, commencing September 1, 2008, in like coin or currency, at the rate per annum specified above until payment of the principal sum. So long as this bond is owned by any one registered owner, such registered owner or its attorney or legal representative may, but shall not be required to, present and surrender this bond to the Bond Registrar for payment of the final principal payment thereon at its maturity.

This bond represents a duly authorized series of revenue bonds of the County, designated “Water System Revenue Bond, Series 2008”, consisting of a single Term Bond, maturing on March 1, 2028, and subject to mandatory sinking fund redemption as set forth herein, and issued for the purpose of providing funds, together with any other available funds, for (i) paying the cost of acquiring and constructing the Project (as defined in the Bond Order), and (ii) paying expenses incidental and necessary to issuing the bond.

This bond is issued under and pursuant to the Constitution and laws of the State of North Carolina, including The State and Local Government Revenue Bond Act, as amended (the

“Act”), a bond order duly adopted by the Board of Commissioners of the County (the “Board”) on March 17, 2008 (the “Bond Order”), and a series resolution duly adopted by the Board on March 17, 2008 (the “Series Resolution”). The Bond Order provides for the issuance from time to time under the conditions, limitations and restrictions therein set forth of additional bonds to provide funds for paying all or any part of the cost of acquiring and constructing other System Improvements, to provide funds for completing payment of the cost of acquiring and constructing any System Improvements and to refund any bonds issued under the Bond Order and Indebtedness, as defined in the Bond Order, other than bonds (such additional bonds and this bond issued being herein collectively called the “Bonds”). The Bond Order also provides for the incurrence or assumption by the County of other obligations which are secured by a pledge, charge and lien upon and payable from Net Revenues (as defined in the Bond Order) on a parity with the Bonds (such obligations and the Bonds being herein collectively called “Senior Indebtedness”) and other obligations which are secured by a pledge, charge and lien upon and payable from the Revenues subordinate and junior in right of payment to Senior Indebtedness (“Subordinate Indebtedness”) under the conditions, limitations and restrictions therein set forth. Reference is hereby made to the Bond Order for provisions, among others, with respect to the custody and application of the proceeds of Bonds, the collection and disposition of Revenues, the nature and extent of the security for the Bonds and any Senior Indebtedness and Subordinate Indebtedness thereby created, the rights, duties and obligations of the County, the Bond Registrar and the Paying Agent and the rights of the registered owners of the Bonds. A certified copy of the Bond Order is on file at the office of the County’s Finance Officer. By the acceptance of this bond, the registered owner hereof assents to all of the provisions of the Bond Order.

The Bond Order provides for the charging, revising and collecting by the County of rates, fees and charges for the use of and for the services and facilities furnished or to be furnished by the System in order to produce at all times sufficient Revenues, together with certain other available funds, to pay the Operating Expenses and to pay the principal of and interest on all Senior Indebtedness and Subordinate Indebtedness as the same shall become due.

The Net Revenues are pledged by the Bond Order to the payment of the principal of and the interest and any redemption premium on the Bonds and other Senior Indebtedness and then Subordinate Indebtedness as provided in the Bond Order. The County is not obligated to pay the Bonds or Indebtedness other than Bonds except from the Net Revenues or other moneys made available therefor under the Bond Order. **NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NORTH CAROLINA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE COUNTY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF AND THE INTEREST AND ANY REDEMPTION PREMIUM ON THIS BOND.**

The Bonds are issuable as fully registered bonds, in denominations of \$100,000 and integral multiples of \$5,000 in excess thereof. At the principal office of the Bond Registrar, in the manner and subject to the limitations and conditions provided in the Bond Order, Bonds may be exchanged for an equal aggregate principal amount of Bonds of the same series and maturity, of authorized denominations and bearing interest at the same rate.

As declared by the Act, this bond, subject only to the provisions for registration and registration of transfer stated herein and contained in the Bond Order, is an investment security within the meaning of and for all the purposes of Article 8 of the Uniform Commercial Code of the State of North Carolina. Notwithstanding any other provisions of the Bond Order or the Series

Resolution, the Bond Registrar shall not register the transfer of this bond to any person other than a bank, an insurance company or a similar financial institution unless such transfer has been previously approved by the Local Government Commission of North Carolina.

The transfer of this bond is registrable by the registered owner hereof in person or by his attorney or legal representative at the principal office of the Bond Registrar but only in the manner and subject to the limitations and conditions provided in the Bond Order and the Series Resolution and upon surrender and cancellation of this bond. Upon any such registration of transfer the County shall execute and the Bond Registrar shall authenticate and deliver, in exchange for this bond, a new Bond or Bonds, registered in the name of the transferee, of authorized denominations, in aggregate principal amount equal to the principal amount of this bond, of the same series and maturity and bearing interest at the same rate. The County or the Bond Registrar may make a charge for every such exchange or registration of transfer of Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge shall be made to any registered owner for the privilege of exchanging or registering the transfer of Bonds.

The Series 2008 Bond shall be subject to mandatory sinking fund redemption on the dates and in the amounts set forth on Schedule I hereto. In addition, the Series 2008 Bond shall be subject to redemption prior to maturity, in whole or in part, on any Interest Payment Date through March 1, 2018, at the option of the County, from any moneys that may be made available for such purpose, upon notice as provided in Article IV of the Bond Order and upon payment of a redemption price equal to 101% of the principal amount of the Series 2008 Bond to be redeemed plus accrued interest to the redemption date. Thereafter, the Series 2008 Bond shall be subject to redemption prior to maturity, in whole or in part, on any Interest Payment Date at the option of the County from any moneys that may be made available for such purpose, upon notice as provided in Article IV of the Bond Order and upon payment of a redemption price equal to 100% of the principal amount of the Series 2008 Bond to be redeemed plus accrued interest to the redemption date.

Except as hereinafter provided, not more than ninety (90) days and not less than thirty (30) days before the redemption date of any Bonds, the Bond Registrar shall cause a notice of any such redemption, either in whole or in part, signed by the Bond Registrar, to be mailed, first-class, postage prepaid, to the North Carolina Local Government Commission and all registered owners of Bonds or portions of Bonds to be redeemed at their addresses as they appear on the registration books of the County kept by the Bond Registrar, as provided in the Bond Order, but failure so to mail any such notice or any defect therein shall not affect the validity of the proceedings for such redemption as to any registered owners to whom such notice was given as so required. On the date designated for redemption, notice having been given as aforesaid, the Bonds or portions of Bonds so called for redemption shall become and be due and payable at the redemption price provided for the redemption of such Bonds or portions thereof on such date, and, if moneys for payment of the redemption price and the accrued interest are held by the Bond Registrar, as provided in the Bond Order, interest on such Bonds or portions thereof shall cease to accrue, such Bonds or portions thereof shall cease to be entitled to any benefit or security under the Bond Order, and the registered owners thereof shall have no rights in respect of such Bonds or portions thereof except to receive payment of the redemption price thereof and the accrued interest so held by the Bond Registrar. If a portion of this bond shall be called for redemption, a new Bond or Bonds in principal amount equal to the unredeemed portion hereof

will be issued to the registered owner upon surrender hereof. So long as this bond is owned by any one registered owner, notice of the redemption of this bond as a result of a mandatory sinking fund redemption need not be given as provided in the Bond Order, unless otherwise required by law, and such registered owner or its attorney or legal representative may, but shall not be required to, surrender this bond to the Bond Registrar for payment of the redemption price of this bond.

The registered owner of this bond shall have no rights to enforce the provisions of the Bond Order or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Bond Order or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Bond Order.

In certain events, on the conditions, in the manner and with the effect set forth in the Bond Order, the principal of all Bonds then outstanding under the Bond Order may become or may be declared due and payable before the stated maturities thereof, together with the interest accrued thereon.

Modifications or alterations of the Bond Order may be made by the County only to the extent and in the circumstances permitted by the Bond Order.

This bond is issued with the intent that the laws of the State of North Carolina shall govern its construction.

All acts, conditions and things required by the Constitution and laws of the State of North Carolina, the Bond Order and the Series Resolution to happen, exist and be performed precedent to and in the issuance of this bond have happened, exist and have been performed as so required.

This bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the Bond Order until this bond shall have been authenticated by the execution by the Bond Registrar of the certificate of authentication endorsed hereon.

SCHEDULE I

Sinking Fund Redemption	
March 1 of the following years	Amount
2009	\$500,000
2010	475,000
2011	500,000
2012	510,000
2013	540,000
2014	560,000
2015	585,000
2016	695,000
2017	735,000
2018	775,000
2019	1,090,000
2020	1,135,000
2021	1,180,000
2022	1,225,000
2023	1,280,000
2024	1,330,000
2025	1,385,000
2026	1,440,000
2027	1,500,000
2028	1,560,000

Consent Agenda:

1. Surplus resolution for Extension trailer
2. Change Orders for Jarvisburg Elementary School
3. Change Orders for Shawboro Elementary School
4. Resolution opposing OLF Site in Camden County
5. Budget Amendments
6. Request to purchase ambulances through installment purchase agreement and piggy-back off of the Florida State contract
7. Report of Unpaid 2007 Real Estate Taxes - Order Advertisement of Tax Liens
8. Resolution to Declare County-Owned Parcel 110B-011-0016-0000 Surplus Property
9. Resolution Authorizing Upset Bid Process - Parcel 110B-011-0016-0000
10. Appointment of Scott Pollard to the Community Child Protection Team/Community Child Fatality Team
11. Resolution Tourism Board change of meeting date and time

Commissioner Gregory moved to approve. Commissioner Bowden seconded the motion. Motion carried.

RESOLUTION

WHEREAS, the Board of Commissioners of Currituck County, North Carolina during its regularly scheduled meeting held on March 17, 2008 authorized the following, pursuant to GS 160A and 270(b), that the property listed below, be declared surplus and disposed of:

<u>Asset Tag</u>	<u>Description</u>	<u>Serial Number</u>
1047	1988 Roger's Trailer	36642

Budget Amendments

<u>Account Number</u>	<u>Account Description</u>	Debit		Credit	
		Decrease Revenue or Increase Expense		Increase Revenue or Decrease Expense	
55818-561000	Prof Services - Wells	\$	15,017		
55818-562000	Prof Services - Water Plant	\$	650,200		
55818-563000	Prof Services - Dist Sys	\$	73,517		
55818-588001	Wells-Contingency	\$	84,570		
55818-588002	Water Plant - Contingency	\$	575,129		
55818-588003	Distribution Sys - Contingency	\$	379,748		
55818-588004	Tanks - Contingency	\$	126,935		
55818-591001	600 GPM Deep Wells	\$	560,000		
55818-591002	Wells - Electrical/Scada	\$	160,000		
55818-591003	Wells - Raw Water Line #1	\$	83,700		
55818-591004	Wells - Raw Water Line #2	\$	42,000		
55818-592001	RO Plant	\$	8,889,474		
55818-592001	RO Plant	\$	1,344,610		
55818-592003	Outfall Diffuser	\$	402,000		
55818-592004	Raw Water Storage	\$	464,500		
55818-593001	500K Tank & 12" Tie Line	\$	183,000		
55818-593005	12" Waterline Moyock	\$	239,624		
55818-593006	Tulls Creek Booster	\$	250,000		
55818-593007	16" Line RO to Curr Tank	\$	744,687		
55818-593008	RO Outfall Main	\$	3,371,796		
55818-593009	12" DOT Betterment	\$	393,023		
55390-490000	Proceeds from Debt Issuance			\$	19,000,000
55390-495061	T F - Mainland Water Fund			\$	31,770
55818-593004	12" Waterline Guinea Road			\$	1,760
61818-587055	T T - Mainland Water Const	\$	31,770		
61360-470000	Utilities Charges			\$	31,770

\$	19,065,300	\$	19,065,300
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Explanation: Mainland Water Construction (55818) - To record \$19,000,000 Revenue Bond financing approved by the Local Government Commission at their March 4, 2008 meeting and to appropriate remaining enterprise funds.

Net Budget Effect: Mainland Water Construction Fund (55) - Increased by \$19,031,770.
Mainland Water Operating Fund (61) - Increased by \$31,770l.

<u>Account Number</u>	<u>Account Description</u>	Debit		Credit	
		Increase Expense	Decrease Revenue or Increase Expense	Increase Revenue or Decrease Expense	Decrease Expense
15446-590000	Capital Outlay	\$ 1,550,057			
15320-415000	Occupancy Tax			\$ 1,200,057	
15380-481000	Investment Earnings			\$ 350,000	
		<u>\$ 1,550,057</u>		<u>\$ 1,550,057</u>	

Explanation: Tourism Promotion (15446) - To increase appropriations to purchase building and property for Moyock Visitor's Center.

Net Budget Effect: Occupancy Tax Fund (15) - Increased by \$1,550,057.

<u>Account Number</u>	<u>Account Description</u>	Debit		Credit	
		Increase Expense	Decrease Revenue or Increase Expense	Increase Revenue or Decrease Expense	Decrease Expense
10530-514800	Fees Paid to Officials	\$ 3,500			
10530-531000	Gas Oil Tires	\$ 10,000			
10530-516000	Repairs and Maintenance	\$ 10,000			
10530-533900	Ambulance Supplies	\$ 15,000			
10530-532000	Supplies	\$ 3,000			
10530-554000	Insurance			\$ 3,000	
10530-590000	Capital Outlay			\$ 38,500	
		<u>\$ 41,500</u>		<u>\$ 41,500</u>	

Explanation: Emergency Services (10530) - To transfer budgeted funds from Capital Outlay to cover operating expenses for the remainder of this fiscal year. Operating expenses have been higher than estimated due to assuming the second ambulance at Corolla in July 2007 and the third ambulance in March 2008. Capital Outlay funds will be available due to installment purchase for ambulances; therefore there will not be a payment this fiscal year. Funds are also being transferred for the EMS/Fire Advisory Board.

Net Budget Effect: Operating Fund (10) - No change.

<u>Account Number</u>	<u>Account Description</u>	Debit	Credit
		Decrease Revenue or Increase Expense	Increase Revenue or Decrease Expense
10775-590000	Capital Outlay	\$ 62,861	
10340-450500	Administration & Filing Fees		\$ 62,861
		\$ 62,861	\$ 62,861

Explanation: Senior Center (10775) - To increase appropriations to purchase 2007 Starcraft Bus for Senior Citizen's Center.

Net Budget Effect: Operating Fund (10) - Increased by \$62,861.

R E S O L U T I O N

WHEREAS, Currituck County obtained title to parcel 110B-011-0016-0000 located in the Poplar Branch Township through a property tax foreclosure; and

WHEREAS, this parcel is not currently serving a governmental use or purpose; and

WHEREAS, this parcel holds only a nominal value to Currituck County, and the County would be better served if this parcel was returned to the County tax roll.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Commissioners of Currituck County, North Carolina, during its regularly scheduled meeting held on March 17, 2008, authorized that parcel 110B-011-0016-0000, located in Poplar Branch Township, recorded in Deed Book 476, page 473 is declared as surplus property, pursuant to North Carolina General Statute Section 160A-265.

RESOLUTION AUTHORIZING UPSET BID PROCESS

WHEREAS, The County of Currituck owns certain property, PIN 110B-011-0016-0000, 150 Michael Street, Lot 16, Block 11, Albemarle Sound Beach Estates, Jarvisburg, NC, located within Poplar Branch Township; and

WHEREAS, North Carolina General Statute 160-269 permits the county to sell property by upset bid, after receipt of an offer for the property; and

WHEREAS, the County has received an offer to purchase the property described above, in the amount of \$7,500.00, submitted by C. B. Gray of Norfolk, Virginia.

WHEREAS, C. B. Gray has paid the required five percent (5%) deposit on this offer;

THEREFORE, THE COUNTY COMMISSIONERS OF CURRITUCK COUNTY
RESOLVE THAT:

1. The Board of Commissioners authorizes sale of the property described above through the upset bid procedure of North Carolina General Statute 160A-269.
2. The County Clerk shall cause a notice of the proposed sale to be published. The notice shall describe the property and the amount of the offer, and shall state the terms under which the offer may be upset.
3. Persons wishing to upset the offer that has been received shall submit a sealed bid with their offer to the office of the County Clerk within 10 days after the notice of sale is published. At the conclusion of the 10-day period the County Clerk shall open the bids, if any, and the highest such bid will become the new offer. If there is more than one bid in the highest amount, the first such bid received will become the new offer.
4. If a qualifying higher bid is received, the County Clerk shall cause a new notice of upset bid to be published, and shall continue to do so until a 10-day period has passed without any qualifying upset bid having been received. At that time, the amount of the final high bid shall be reported to the Board of Commissioners.
5. A qualifying higher bid is one that raises the existing offer by not less than ten percent (10%) of the first \$1,000.00 of that offer and five percent (5%) of the remainder of that offer.
6. A qualifying higher bid must also be accompanied by a deposit in the amount of five percent (5%) of the bid; the deposit may be made in cash, cashier's check, or certified check. The County will return the deposit on any bid not accepted, and will return the deposit on an offer subject to upset if a qualifying higher bid is received. The County will return the deposit of the final high bidder at closing.
7. The terms of the final sale are that
 - the County Commissioners must approve the final high offer before the sale is closed, which it will do within 30 days after the final upset bid period has passed, and
 - The buyer must pay with cash at the time of closing.
8. The County reserves the right to withdraw the property from sale at any time before the final high bid is accepted and the right to reject at any time all bids.
9. If no qualifying upset bid is received after the initial public notice, the offer set forth above is hereby accepted. The appropriate County officials are authorized to execute the instruments necessary to convey the property to C. B. Gray.

**A RESOLUTION OF THE COUNTY OF CURRITUCK, NORTH CAROLINA
ESTABLISHING A TOURISM ADVISORY BOARD**

- Section 1. Advisory Board Established. There is hereby established a County of Currituck Tourism Advisory Board.
- Section 2. Duties of the Advisory Board. The duties of the Tourism Advisory Board are to serve as the advisory body and to suggest policies to the Tourism Development

Authority, the County Manager, and the Department of Travel and Tourism, within its powers and responsibilities as stated in this resolution. The Advisory Board shall serve as a liaison to the County and its citizens. The Advisory Board shall consult with and advise the Tourism Development Authority, the County Manager, and the Department of Travel and Tourism in matters affecting tourism:

- (a) the creation of a yearly County marketing plan;
- (b) the allocation of County occupancy tax to promote travel and tourism;
- (c) the acceptance of any grant, gift, bequest or donation, any personal or real property offered or made available for tourism purposes and which is judged to be of present or possible future use for tourism. Any gift, bequest of money or other property, any grant, devise of real or personal property so acquired shall be held by the County of Currituck and finally disposed of in accordance with the terms under which such grant, gift, or devise is made and accepted;
- (d) the construction, equipping, operation, and maintenance of visitor centers and any other buildings and structures necessary or useful to department function, and will advise in regard to other tourism facilities, which are owned or controlled by the Board of Commissioners or leased or loaned, to the County;
- (e) the recommendation of tourism events including: selection, participation, advertising, and other components of the Travel and Tourism Department's interaction with tourism related events.

Section 3. Member Composition, Appointment and Terms of Office. The Tourism Advisory Board shall be made up of seven (7) members appointed by the Tourism Development Authority. Each voting member must be a resident of Currituck County. The County Manager or his designee, the Travel and Tourism Director, and the Marketing Coordinator shall be permanent, non-voting members of the Advisory Board. The Tourism Development Authority shall appoint a member from the Authority to serve as a non-voting representative to the Advisory Board.

Initial appointments shall be arranged so that approximately one-third of the terms will expire each year, except for the representative from the Tourism Development Authority whose term shall be concurrent with their term of office. All terms will begin as of the first Board of Commissioners meeting in October of the year appointed unless the appointment is to fill the unexpired term of a vacant position, in which case the appointment would be effective immediately.

After the initial appointments, each future appointed member will be appointed for a three-year term and shall hold their office until their successors are appointed and qualified.

No member shall be allowed to serve for more than two consecutive terms unless extended by the Board of Commissioners due to extenuating circumstances.

Section 4. Officers, Adoption of Rules, Meetings. The Tourism Advisory Board shall select from its membership its officers each year at its November meeting. The officers shall include a Chairman and Vice-Chairman. The Chairman, or Vice-Chairman, shall conduct the orderly business of the Advisory Board. The Travel and

Tourism Director shall be the Secretary and shall take minutes and cause the minutes to be printed and made available to the Tourism Development Authority, County Manager, and members of the Tourism Advisory Board following each meeting.

The Advisory Board may adopt rules and regulations covering its meetings as deemed necessary to conduct orderly business.

A quorum will be necessary to conduct official business. A simple majority of those present will be required to adopt resolutions.

The Tourism Advisory Board will meet at least quarterly (four times) during the year, unless the Chairman declares the meeting cancelled for lack of business. The regular meetings will be held at ~~(7:00 p.m.)~~ 5:00 p.m. on the second Monday of following months: February, May, August and November. The Board may amend this meeting schedule. The meetings will be held ~~(in the Historic Currituck Courthouse Meeting Room)~~ at advertised locations within Currituck County.

Members who miss two consecutive meetings in a calendar year may be removed from the Advisory Board by the Tourism Development Authority.

Section 5. Compensation The voting members of the Tourism Advisory Board shall be paid the sum of \$50.00 per meeting. Members shall be reimbursed for approved travel and subsistence in compliance with the general policies of the County, subject to the availability of funds.

Section 6. Effective Date. This resolution shall be effective upon its adoption.

Commissioner's Report

Commissioner Taylor announced that there would be a Town Meeting the next day on OLF.

Commissioner Bowden supports movement for wastewater treatment in Moyock.

Chairman Nelms stated that the new Welcome Center should be open by May 1. He also mentioned that the new library should be out for bid by end of the month.

County Manager's Report

Dan Scanlon, stated that the Board of Education will be using the Commissioners Meeting Room for their meetings beginning in April.

Adjourn

There being no further business, the meeting was adjourned.