

**RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE COUNTY OF CHATHAM,  
NORTH CAROLINA SITTING AS THE GOVERNING BODY OF SOUTHEAST CHATHAM  
WATER DISTRICT PROVIDING FOR THE ISSUANCE OF  
\$262,000 WATER SYSTEM REVENUE BONDS, SERIES 2010A AND  
\$1,624,000 WATER SYSTEM REVENUE BONDS, SERIES 2010B  
OF THE SOUTHEAST CHATHAM WATER DISTRICT, NORTH CAROLINA**

*BE IT RESOLVED* by the Board of Commissioners (the "*Board*") of the County of Chatham, North Carolina (the "*County*"), sitting as the governing body of Southeast Chatham Water District (the "*District*"), that:

**Section 1.** The Board has determined and does hereby find and declare as follows:

(a) A bond order authorizing an aggregate of \$1,866,000 Water System Revenue Bonds of the District was adopted by the Board on March 1, 2010 (the "*Bond Order*"), which order was effective on approval.

(b) It is necessary to issue \$262,000 of Water System Revenue Bonds, Series 2010A (the "*2010A Bonds*") and \$1,624,000 of Water System Revenue Bonds, Series 2010B (the "*2010B Bonds*," and together with the 2010A Bonds, the "*Bonds*") at this time, the proceeds of which will finance the Project (as defined in the Bond Order).

(c) The maximum period of usefulness of the water system to be provided with the proceeds of the Bonds authorized hereby is estimated as a period of 40 years from June 1, 2010, the anticipated date of the Bonds, and such period expires on June 1, 2050.

**Section 2.** Pursuant to the Bond Order, the District shall issue a bond in the amount of \$262,000, numbered RA-1, dated as of the date of delivery thereof and maturing in annual installments on the first day of June in the following years and in the following amounts:

YEAR OF MATURITY	PRINCIPAL AMOUNT	YEAR OF MATURITY	PRINCIPAL AMOUNT
2012	\$3,000	2031	\$6,000
2013	3,000	2032	7,000
2014	3,000	2033	7,000
2015	3,000	2034	7,000
2016	4,000	2035	7,000
2017	4,000	2036	8,000
2018	4,000	2037	8,000
2019	4,000	2038	8,000
2020	4,000	2039	9,000
2021	4,000	2040	9,000
2022	4,000	2041	10,000
2023	5,000	2042	10,000
2024	5,000	2043	10,000
2025	5,000	2044	11,000
2026	5,000	2045	11,000
2027	5,000	2046	12,000
2028	6,000	2047	13,000
2029	6,000	2048	13,000
2030	6,000	2049	13,000

In addition, the District shall issue a bond in the amount of \$1,624,000, numbered RB-1, dated as of the date of delivery thereof and maturing in annual installments on the first day of June in the following years and in the following amounts:

YEAR OF MATURITY	PRINCIPAL AMOUNT	YEAR OF MATURITY	PRINCIPAL AMOUNT
2012	\$22,000	2031	\$41,000
2013	23,000	2032	42,000
2014	24,000	2033	44,000
2015	24,000	2034	45,000
2016	25,000	2035	47,000
2017	26,000	2036	48,000
2018	27,000	2037	50,000
2019	28,000	2038	51,000
2020	29,000	2039	53,000
2021	30,000	2040	55,000
2022	31,000	2041	56,000
2023	32,000	2042	58,000
2024	33,000	2043	60,000
2025	34,000	2044	62,000
2026	35,000	2045	64,000
2027	36,000	2046	66,000
2028	37,000	2047	67,000
2029	38,000	2048	69,000
2030	40,000	2049	72,000

The 2010A Bonds shall bear interest on the unpaid part of such principal at a rate of 4.00% per annum until payment thereof, payable on June 1, 2010, and annually thereafter on the first day of June of each year until paid. The 2010B Bonds shall bear interest on the unpaid part of such principal at a rate of

3.25% per annum until payment thereof, payable on June 1, 2010, and annually thereafter on the first day of June of each year until paid.

The Bonds will be sold to the United States of America, acting by and through Rural Utilities Service, an agency of the United States Department of Agriculture (formerly Farmers Home Administration) ("USDA") by private sale in accordance with Sections 8 and 9. The Bonds may not be defeased without written consent of USDA during such time as USDA remains the registered owner of the Bonds.

The Bonds shall bear interest from the date on which they are authenticated.

The principal of and the interest and any redemption premium on the Bonds are payable in any coin or currency of the United States of America which is legal tender for the payment of public and private debts on the respective dates of payment thereof.

The Bond Registrar (as defined in the Bond Order) shall payment interest on the Bonds on each interest payment date to the person appearing on the registration books of the District hereinafter provided for as the registered owner of such Bonds (or the previous Bond or Bonds evidencing the same debt as that evidenced by such Bonds) at the close of business on the record date for such interest, which is the 15<sup>th</sup> day (whether or not a business day) of the calendar month next preceding such interest payment date. During the time that USDA is the registered owner of the Bonds, payment of the installments of principal and interest when due and payable on the Bonds is to be made at the office of such fiscal agent as USDA designates without presentation or surrender thereof and, during any such time as an assignee thereof is the registered owner of the Bonds, payment of the installments of principal when due and payable on the Bonds is to be made at the corporate trust office of the Trustee (as defined in the Bond Order or a Series Resolution), on the presentation and surrender thereof, and payment of the interest when due and payable on the Bonds is to be made by check mailed to such assignee at his address as it appears on the Bond registration books of the District hereinafter mentioned without the presentation or surrender thereof.

**Section 3.** The Bonds may be redeemed, at the option of the District, as long as USDA is the owner of the Bonds, at any time before the maturity of any installment of the principal thereof, either in whole or in part in the inverse order of the maturity dates of the installments of principal, from any money that may be made available for such purpose, at the aggregate principal amount of the installments of principal to be redeemed, together with the interest accrued thereon to the date fixed for redemption, but without any premium. If USDA is not the owner of the Bonds, the Bonds maturing on and after June 1, 2021 may be redeemed, without premium, on or after June 1, 2020.

If all or any part of the Bonds is redeemed, the Bond Registrar shall send a notice of redemption by registered mail, at least 40 days before the date fixed for redemption, addressed (a) during the time that USDA is the owner of the Bonds, to such other address as USDA may designate by registered or certified mail forwarded to the District at least 50 days before any redemption date, and (b) during any time as an assignee of USDA is not the owner of the Bonds, to the address as it appears on the registration book of the District hereinafter mentioned.

On the date fixed for redemption, notice having been given in the manner and under the conditions hereinabove provided, the Bonds or part thereof called for redemption are due and payable at the redemption price provided therefor, plus accrued interest to such date. If money sufficient to pay the redemption price of the Bonds or part thereof to be redeemed plus accrued interest thereon to the date set redemption are held at such place as USDA may designate (or, if the Bond or Bonds have been assigned by USDA, at the corporate trust office of the Trustee under Section 2) in trust for such purpose, interest on the Bonds or part thereof called for redemption ceases to accrue, such Bond, Bonds or part thereof

ceases to be entitled to any benefits or security under the Bond Order or to be deemed outstanding, and the registered owners of such Bond, Bonds or part thereof have no rights in respect thereof except to receive payment of the redemption price thereof, plus accrued interest to the date of redemption.

If an installment of principal of the Bonds is redeemed, the Bond Registrar shall direct the registered owner thereof to evidence such redemption by appropriate notation on the schedule attached to such Bond for such purpose.

**Section 4.** The Bonds, on surrender thereof at the principal office or corporate trust office of the Bond Registrar, together with an assignment duly executed by the registered owner or his attorney or legal representative in such form as is satisfactory to the Bond Registrar, may, at the option of the registered owner thereof, be exchanged for Bonds having maturities corresponding to the maturities of the installments of principal of such Bonds then unpaid, issuable in fully registered form in the denomination of \$5,000 or any integral multiple thereof, and bearing interest at the same rate.

The transfer of the Bond or Bonds may be registered by the registered owner thereof only on execution of an assignment thereof duly executed by such registered owner or his attorney or legal representative. Notice of such assignment is to be given promptly by the assignor to the Bond Registrar by registered mail, such notice to be in such form as is satisfactory to the Bond Registrar, and on receipt of such notice, such Bond or Bonds are to be registered as to both principal and interest on such registration books in the name of the assignee named in such notice. In no event will the Bond Registrar transfer the Bond to any person other than a bank, an insurance company or a similar financial institution unless the Local Government Commission of North Carolina has previously approved such transfer.

The transfer of any bond issued in exchange for the Bond or Bonds as provided above may be registered only on the registration books of the District on the surrender thereof to the Bond Registrar together with an assignment duly executed by the registered owner or his attorney or legal representative in such form as is satisfactory to the Bond Registrar. On any such registration of transfer, the Bond Registrar shall authenticate and deliver in exchange for such Bond or Bonds a new bond or bonds, registered in the name of the transferee, of any denomination or denominations authorized by this resolution, in an aggregate principal amount equal to the unredeemed principal amount of such Bond or Bonds so surrendered, of the same maturity and bearing interest at the same rate.

When the Bond or Bonds are exchanged or the transfer of the Bond or Bonds is registered hereunder and a new bond or bonds are to be delivered in exchange therefor, the Bond Registrar shall authenticate and deliver at the earliest practicable time bonds in accordance with the provisions of this resolution. The Bond Registrar shall cancel all Bonds surrendered in any such exchange or registration of transfer. The Bond Registrar is not required to make any such exchange or registration of transfer of (a) any Bond or Bonds during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Bonds or any portion thereof and ending at the close of business on the day of such mailing or (b) any Bond or Bonds called for redemption in whole or in part under Section 3.

As to any Bond, the person in whose name it is registered is deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or redemption price of any such Bond and the interest on any such Bond is to be made only to or on the order of the registered owner thereof or his legal representative. All such payments are valid and effectual to satisfy and discharge the liability on such Bond, including the redemption premium, if any, and interest thereon, to the extent of the sum or sums so paid.

The District shall appoint such registrars, transfer agents, depositaries or other agents as may be necessary for the registration, registration of transfer and exchange of Bonds within a reasonable time according to then current commercial standards and for the timely payment of installments of principal and interest with respect to the Bond or Bonds. The Finance Officer (as defined in the Bond Order) is hereby appointed the registrar, transfer agent and paying agent (the "*Bond Registrar*") for the Bonds, subject to the right of the governing body of the District to appoint another Bond Registrar, and as such shall keep at her office the books of the District for the registration, registration of transfer, exchange and payment of the Bonds as provided in this resolution; provided, however, that, if the Bond or Bonds registered in the name of USDA are assigned, the paying agent with respect to such Bond or Bonds will be the Trustee.

**Section 5.** The Bonds are to bear the manual or facsimile signatures of the Chairman and the Clerk (both as defined in the Bond Order), and the corporate seal or a facsimile of the corporate seal of the District or the County will be impressed or imprinted, as the case may be, on the Bonds.

The certificate of the Local Government Commission of North Carolina to be endorsed on the Bonds will bear the manual or facsimile signature of the Secretary of said Commission, and the certificate of authentication of the Bond Registrar to be endorsed on the Bonds is to be executed as provided hereinafter.

If any officer of the County, acting on behalf of the District, or the Local Government Commission of North Carolina whose manual or facsimile signature appears on the Bonds ceases to be such officer before the delivery of such Bonds, such manual or facsimile signature is nevertheless valid and sufficient for purposes the same as if he had remained in office until such delivery, and the Bonds may bear the manual or facsimile signatures of such persons as at the actual time of the execution of such Bonds are the proper officers to sign such Bonds although at the date of such Bonds such persons may not have been such officers.

No Bond is valid or obligatory for any purpose or entitled to any benefit or security under this resolution until it has been authenticated by the execution by the Bond Registrar of the certificate of authentication endorsed thereon.

The Bonds and the endorsements thereon are to be in substantially the form attached as Exhibit A hereto.

**Section 6.** The District covenants to take such action as may be required in the opinion of nationally recognized bond counsel to cause the Bonds and all actions of the District with respect to the proceeds thereof to comply with Internal Revenue Code of 1986, as amended (the "*Code*"). In particular, the District covenants as follows:

(a) At least one of the following two conditions will be satisfied: (i) less than 10% of the proceeds of the Bonds reduced by costs of issuance will be used directly or indirectly in the business of a person other than a state or local governmental unit or (ii) less than 10% of the principal or interest on the Bonds will be (under the terms of such issue or any underlying arrangement) directly or indirectly (A) secured by an interest in property used or to be used in a private business or by any interest in payments made with respect to such property or (B) derived from payments made with respect to property, or borrowed money, used or to be used in a private business;

(b) At least one of the following two conditions will be satisfied: (i) less than 5% of the proceeds of the Bonds reduced by costs of issuance will be used by

nongovernmental persons for a use unrelated or disproportionate to the purposes for which the Bonds were issued or (ii) less than 5% of the principal or interest on the Bonds will be (under the terms of such issue or any underlying arrangement) directly or indirectly (A) secured by an interest in property used or to be used in a private business described in (i) or by any interest in payments made with respect to such property or (B) derived from payments made with respect to property the use of which is described in (i), or borrowed money, used or to be used in a private business;

(c) It will not loan directly or indirectly more than 5% of the Bond proceeds to nongovernmental persons;

(d) It has not and will not enter into any management contract with respect to the facilities financed with the proceeds of the Bonds unless it obtains an opinion of nationally recognized bond counsel that such management contract will not impair the exclusion from a recipient's gross income for federal income tax purposes of the interest on the Bond;

(e) The District acknowledges that the continued exclusion of interest on the Bonds from a recipient's gross income for federal income tax purposes depends, in part, upon compliance with the arbitrage limitations imposed by Section 148 of the Code. The District covenants to comply with all the requirements of Section 148 of the Code, including the rebate requirements, and it shall not permit at any time any of the proceeds of the Bonds to be used, directly or indirectly, to acquire any asset or obligation, the acquisition of which would cause the Bonds to be "arbitrage bonds" for purposes of Section 148 of the Code;

(f) The Bonds are not and shall not be "federally guaranteed" as defined in Section 149(b) of the Code;

(g) The District covenants to file or cause to be filed Forms 8038G in accordance with Section 149(e) of the Code.

**Section 7.** The Local Government Commission of North Carolina is hereby requested to sell the Bonds at private sale pursuant to G.S. 159-123 to USDA, subject to the approval of the Chairman; provided, however, that the purchase price of the 2010A Bonds is at least \$262,000 plus 100% of accrued interest, if any, and that the maximum interest rate does not exceed 4.00% per annum and the purchase price of the 2010B Bonds is at least \$1,624,000 plus 100% of accrued interest, if any, and that the maximum interest rate does not exceed 3.25% per annum.

**Section 8.** The Chairman is hereby authorized to approve the purchase price of the Bonds and the rate of interest on the Bonds in connection with the private sale of the Bonds, subject to the provisions of Section 7.

**Section 9.** This resolution may be amended or supplemented, from time to time, without the consent of the holder of the Bonds if in the opinion of nationally recognized bond counsel, such amendment or supplement would not adversely affect the interests of the registered owners of the Bonds and would not cause the interest on the Bonds to be included in the gross income of a recipient thereof for federal income tax purposes. This resolution may be amended or supplemented with the consent of the registered owners of a majority in aggregate principal amount of the outstanding Bonds, but a modification or amendment may not, without the express consent of any registered owner of Bonds

affected, reduce the principal amount of any Bonds, reduce the interest rate payable on it, extend its maturity or the times for paying interest, change the monetary medium in which principal and interest is payable, or reduce the percentage of consent required for amendment or modification.

Any act done pursuant to a modification or amendment consented to by the registered owners of the Bonds is binding on all holders of the Bonds and will not be deemed an infringement of any of the provisions of this resolution, whatever the character of the act may be, and may be done and performed as fully and freely as if expressly permitted by the terms of this resolution, and after consent has been given, no registered owner of the Bonds has any right or interest to object to the action, to question its propriety or to enjoin or restrain the District from taking any action pursuant to a modification or amendment.

If the District proposes an amendment or supplemental resolution to this resolution requiring the consent of the registered owners of the Bonds, the District shall cause notice of the proposed amendment to be sent to each registered owner by first-class mail, postage prepaid, to the address of such registered owner as it appears on the registration books; but the failure to receive such notice by mail by any registered owner, or any defect in the mailing thereof, will not affect the validity of any proceedings pursuant hereto. Such notice shall briefly set forth the nature of the proposed amendment and shall state that copies thereof are on file in the office of the Clerk to the Board for inspection by the registered owners. If, within 60 days or such longer period as is prescribed by the District following the giving of such notice, the registered owners of a majority in aggregate principal amount of the Bonds then outstanding have consented to the proposed amendment, the amendment will be effective as of the date stated in the notice.

Section 10. This resolution is effective on its passage.

***READ, APPROVED AND ADOPTED*** this 1st day of March, 2010.