

STATE OF NORTH CAROLINA

COUNTY OF VANCE

The Vance County Board of Commissioners, sitting as the Vance County Water District Board, met in special session on Monday, January 28, 2013 at 12:00 Noon in the Commissioners' Conference Room, Vance County Administration Building, 122 Young Street, Henderson, NC. Those Commissioners present were as follows: Chairman Thomas S. Hester, Jr., Commissioners Deborah F. Brown, Dan Brummitt, Terry E. Garrison, Archie B. Taylor, Jr., Gordon Wilder, and Eddie L. Wright.

Absent: None.

Also present were County Manager Jerry L. Ayscue, County Attorney Jonathan S. Care, and Clerk to the Board Kelly H. Grissom.

County Manager Jerry L. Ayscue noted that the Board of Commissioners issued Bond Anticipation Notes for Phase 1A of the water project in the amount of \$3,841,000. The construction work continues in Phase 1A and is going well, but more time is needed on the Bond Anticipation Notes. A nine-month extension has been secured through October 23, 2013. The closing of the Bond Anticipation Notes is scheduled for tomorrow and Wednesday, January 29 and 30. In order for this to happen, a resolution providing for the issuance of \$3,841,000 Water Bond Anticipation Notes is needed.

Commissioner Terry E. Garrison introduced the following resolution, the title of which was read, and copies of which had been previously distributed to each Commissioner:

**RESOLUTION PROVIDING FOR THE ISSUANCE OF \$3,841,000
WATER BOND ANTICIPATION NOTES**

BE IT RESOLVED by the Board of Commissioners for the County of Vance, North Carolina, in its capacity as the governing body of the Vance County Water District (the "District"):

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

(a) An order authorizing \$27,000,000 Water Bonds of the District was adopted by the Board for the District on March 10, 2008, which order was approved by the vote of a majority of the qualified voters of the District who voted thereon at a referendum duly called and held on May 6, 2008.

(b) None of said bonds has been issued and there is outstanding \$3,841,000 Water Bond Anticipation Notes of the District, dated May 1, 2012, maturing January 30, 2013 and bearing interest at a rate of 1.25% per annum, issued in anticipation of the proceeds of a like amount of said bonds.

(c) It is necessary to issue \$3,841,000 notes at this time in anticipation of the receipt of the proceeds of the sale of a like amount of bonds, the proceeds of the sale thereof to be applied to the payment of the principal of the outstanding notes at maturity.

Section 2. In anticipation of the receipt of the proceeds of the sale of a like amount of bonds, the issuance of \$3,841,000 negotiable notes of the District is hereby authorized, which notes shall be designated "Water Bond Anticipation Notes" (the "Notes"), shall be dated January 29, 2013, shall mature October 23, 2013, without option of prior payment, and shall bear interest at a rate to be determined by the Local Government Commission at the time the Notes are sold, which interest shall be payable at the maturity of the Notes, and shall be computed on the basis of a 360-day year consisting of twelve 30-day months, to which no interest coupons shall be attached.

The principal of and the interest on the Notes shall be 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 Notes shall be issued by means of a book-entry system with no physical distribution of Note certificates to be made except as hereinafter provided. One Note certificate in the aggregate principal amount of the Notes stated to mature on October 23, 2013 and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), shall be issued and deposited with DTC and immobilized in its custody. The book-entry system will evidence ownership of the Notes in the principal amount of \$100,000 and integral multiples of \$1,000 in excess of \$100,000, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. The principal of and interest on the Notes shall be payable to Cede & Co. or any other person appearing on the registration books of the District hereinafter provided for as the registered owner of the Notes or his registered assigns or legal representative at such office of the Note Registrar hereinafter mentioned or such other place as the District may determine upon the presentation and surrender thereof as the same shall become due and payable; provided, however, that for so long as the Notes are deposited with DTC, the payment of the principal of and interest on the Notes shall be made to DTC in same-day funds by 2:30 p.m. or otherwise as determined by the rules and procedures established by DTC. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments to beneficial owners of the Notes by participants of DTC will be the responsibility of such participants and other nominees of such beneficial owners. The District will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing records maintained by DTC, its participants or persons acting through such participants.

In the event that (a) DTC determines not to continue to act as securities depository for the Notes or (b) the Finance Officer of the District determines that continuation of the book-entry system of evidence and transfer of ownership of the Notes would adversely affect the interests of the beneficial owners of the Notes, the District will discontinue the book-entry system with DTC. If the District identifies another qualified securities depository to replace DTC, the District will make arrangements with DTC and such other depository to effect such replacement and deliver replacement Notes registered in the name of such other depository or its nominee in exchange for the outstanding Notes, and the references to DTC or Cede & Co. in this resolution shall thereupon be deemed to mean such other depository or its nominee. If the District fails to identify another qualified securities depository to replace DTC, the District will deliver replacement Notes in the form of fully-registered certificates in denominations of \$100,000 and integral multiples of \$1,000 in excess of \$100,000 ("Certificated Notes") in exchange for the outstanding Notes as required by DTC and others. Upon the request of DTC, the District may also deliver one or more Certificated Notes to any participant of DTC in exchange for Notes credited to its account with DTC.

Unless indicated otherwise, the provisions of this resolution that follow shall apply to all Notes issued or issuable hereunder, whether initially or in replacement thereof.

Section 3. The Notes shall bear the manual or facsimile signatures of the Chairman of the Board and the Clerk to the Board of the District and the corporate seal or a facsimile of the corporate seal of the District shall be impressed or imprinted, as the case may be, on the Notes.

The certificate of the Local Government Commission of North Carolina to be endorsed on all Notes shall bear the manual or facsimile signature of the Secretary of said Commission and the certificate of authentication of the Note Registrar to be endorsed on all Notes shall be executed as provided hereinafter.

In case any officer of the District or the Local Government Commission of North Carolina whose manual or facsimile signature shall appear on any Notes shall cease to be such officer before the delivery of such Notes, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes the same as if he had remained in office until such delivery, and any Note may bear the manual or facsimile signatures of such persons as at the actual time of the execution of such Note shall be the proper officers to sign such Note although at the date of such Note such persons may not have been such officers.

No Note shall be valid or become obligatory for any purpose or be entitled to any benefit or security under this resolution until it shall have been authenticated by the execution by the Note Registrar of the certificate of authentication endorsed thereon.

The Notes to be registered in the name of Cede & Co. and the endorsements thereon shall be in substantially the following form:

CUSIP No.: _____

No. _____

\$3,841,000

United States of America
State of North Carolina
County of Vance

VANCE COUNTY WATER DISTRICT
WATER BOND ANTICIPATION NOTE

Vance County Water District, a body politic and corporate organized and existing under the laws of the State of North Carolina, is justly indebted and for value received hereby promises to pay to CEDE & CO. or registered assigns or legal representative on the date specified below, upon the presentation and surrender hereof, at the office of the Finance Officer of said District (the "Note Registrar"), in Henderson, North Carolina, on the 23rd day of October, 2013, the principal sum of

THREE MILLION EIGHT HUNDRED FORTY-ONE THOUSAND DOLLARS

and to pay interest thereon, computed on the basis of a 360-day year consisting of twelve 30-day months, from the date hereof at the rate of _____ per centum (___%) per annum, payable upon the presentation and surrender of this note at its maturity; provided, however, that for so long as the Notes (hereinafter defined) are deposited with The Depository Trust Company, New York, New York ("DTC"), the payment of the principal of and interest on the Notes shall be made to DTC in same day funds by 2:30 p.m. or otherwise as determined by the rules and procedures established by DTC. Both the principal of and the interest on this note shall be paid in any coin or currency of the United States of America that is legal tender for the payment of public and private debts on the respective dates of payment thereof. For the prompt payment hereof, both principal and interest as the same shall become due, the faith and credit of said District are hereby irrevocably pledged.

This note is one of an issue of notes designated "Water Bond Anticipation Notes" (the "Notes") and is given for money borrowed in the amount of the face of this note in anticipation of the receipt of the proceeds of the sale of a like amount of Water Bonds, duly authorized by an order adopted by the Board of Commissioners for the County of Vance, North Carolina in its capacity as the governing body of said District on March 10, 2008, which order was approved by the vote of a majority of the qualified voters of said District who voted thereon at a referendum duly called and held on May 6, 2008, and this note is issued pursuant to and in full compliance with The Local Government Bond Act, as amended, Article 9, as amended, of the General Statutes of North Carolina and a resolution duly passed by the Board of Commissioners for said District on January 7, 2013 (the "Resolution").

The Notes shall be issued by means of a book-entry system with no physical distribution of note certificates to be made except as provided in the Resolution. One note certificate in the aggregate principal amount of the Notes stated to mature on such date and registered in the name of Cede & Co., as nominee of DTC, is being issued and deposited with DTC and immobilized in its custody. The book-entry system will evidence ownership of the Notes in the principal amount

of \$100,000 and integral multiples of \$1,000 in excess of \$100,000, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Transfer of principal and interest payments to participants of DTC shall be the responsibility of DTC, and transfer of principal and interest payments to beneficial owners of the Notes by participants of DTC shall be the responsibility of such participants and other nominees of such beneficial owners. Said District shall not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

In certain events, said District will be authorized to deliver replacement Notes in the form of fully-registered certificates in the denomination of \$100,000 and integral multiples of \$1,000 in excess of \$100,000 in exchange for the outstanding Notes as provided in the Resolution.

At the office of the Note Registrar, in the manner and subject to the conditions provided in the Resolution, Notes may be exchanged for an equal aggregate principal amount of Notes of the same maturity, of authorized denominations and bearing interest at the same rate.

The Note Registrar shall keep at his office the books of said District for the registration of transfer of Notes. The transfer of this Note may be registered only upon such books and as otherwise provided in the Resolution upon the surrender hereof to the Note Registrar together with an assignment duly executed by the registered owner hereof or his attorney or legal representative in such form as shall be satisfactory to the Note Registrar. Upon any such registration of transfer, the Note Registrar shall deliver in exchange for this Note a new Note or Notes, registered in the name of the transferee, of authorized denominations, in an aggregate principal amount equal to the unredeemed principal amount of this Note, of the same maturity and bearing interest at the same rate.

It is hereby certified and recited that all acts, conditions and things required by the Constitution and laws of North Carolina to happen, exist and be performed precedent to and in the issuance of this Note have happened, exist and have been performed in regular and due form and time as so required, and that the total indebtedness of said District, including this Note, does not exceed any constitutional or statutory limitation thereon.

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

IN WITNESS WHEREOF, the Vance County Water District, pursuant to a resolution of its Board of Commissioners, has caused this note to be signed by its Chairman and its Clerk and its official seal to be impressed hereon, all as of the 29th day of January, 2013.

Thomas S. Hester, Jr. (signed)
Chairman

[SEAL]

Kelly H. Grissom (signed)
Clerk to the Board

CERTIFICATE OF LOCAL GOVERNMENT COMMISSION

The issuance of this note has been approved under the provisions of The Local Government Bond Act.

T. Vance Holloman
Secretary, Local Government Commission

L.G.C. No. _____

CERTIFICATE OF AUTHENTICATION

This note is one of the Notes of the series designated herein and issued under the provisions of the within-mentioned Resolution.

By: _____
Finance Officer

Date of authentication: _____

ASSIGNMENT

FOR VALUE RECEIVED the undersigned registered owner thereof hereby sells, assigns and transfers unto

the within Note and all rights thereunder and hereby irrevocably constitutes and appoints _____

attorney to register the transfer of said Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

In the presence of:

NOTICE: The signature must be guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or similar program.

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

Certificated Notes issuable hereunder shall be in substantially the form of the Notes registered in the name of Cede & Co. with such changes as are necessary to reflect the provisions of this resolution that are applicable to Certificated Notes.

Section 4. Notes, upon surrender thereof at the office of the Note Registrar together with an assignment duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Note Registrar, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of Notes of the same maturity, of any denomination or denominations authorized by this resolution and bearing interest at the same rate.

The transfer of any Note may be registered only upon the registration books of the District upon the surrender thereof to the Note Registrar together with an assignment duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Note Registrar. Upon any such registration of transfer, the Note Registrar shall authenticate and deliver in exchange for such Note a new Note or Notes, 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 Note so surrendered, of the same maturity and bearing interest at the same rate.

In all cases in which Notes shall be exchanged or the transfer of Notes shall be registered hereunder, the Note Registrar shall authenticate and deliver at the earliest practicable time Notes in accordance with the provisions of this resolution. All Notes surrendered in any such exchange or registration of transfer shall forthwith be canceled by the Note Registrar. The District or the Note Registrar may make a charge for shipping and out-of-pocket costs for every such exchange or registration of transfer of Notes 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 by the District or the Note Registrar for exchanging or registering the transfer of Notes under this resolution.

As to any Note, 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 any such Note and the interest on any such Note shall be made only to or upon the order of the registered owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Note, 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 Notes within a reasonable time according to then current commercial standards and for the timely payment of principal and interest with respect to the Notes. The Finance Officer of the District or any person at any time acting in such capacity, is hereby appointed the registrar, transfer agent and paying agent for the Notes (collectively the "Note Registrar"), subject to the right of the Board of Commissioners for the District to appoint another Note Registrar, and as such shall keep at his office in the District, the books of the District for the registration, registration of transfer, exchange and payment of the Notes as provided in this resolution.

Section 5. The District covenants that, to the extent permitted by the Constitution and laws of the State of North Carolina, it will comply with the requirements of the Internal Revenue Code of 1986, as amended or as may be amended from time to time, and any Treasury regulations now or hereafter promulgated thereunder, to the extent necessary so that interest on the Notes will not be included in gross income of the owners of the Notes for purposes of federal income tax.

Section 6. The actions of the officers of the District in applying to the Local Government Commission to approve, advertise and sell the notes and the Local Government Commission in asking for bids for said notes by publishing a notice and printing and distributing circulars relating to the sale of said notes are hereby approved, ratified and confirmed.

Section 7. The outstanding notes were designated as a "qualified tax-exempt obligation" under Section 265(b)(3) of the Code. In connection therewith, the District hereby finds and determines that:

(a) the Notes are being issued to refund, but not to advance refund, the outstanding notes, and the principal amount of the Notes does not exceed the outstanding amount of the notes being refunded;

(b) the average maturity of the outstanding notes (determined in accordance with Section 147(b)(2)(A) of the Code) is less than 3 years; and

(c) the Notes have a maturity date not later than 30 years from the date the outstanding notes were issued.

Consequently, pursuant to Section 265(b)(3)(D)(ii) of the Code, the Notes are deemed designated as a "qualified tax-exempt obligation" under Section 265(b)(3) of the Code.

Section 8. This resolution shall take effect upon its passage.

Upon motion of Commissioner Terry E. Garrison, seconded by Commissioner Eddie L. Wright, the foregoing resolution entitled "RESOLUTION PROVIDING FOR THE ISSUANCE OF \$3,841,000 WATER BOND ANTICIPATION NOTES" was passed by the following vote:

Ayes: Commissioners Thomas S. Hester, Jr., Deborah F. Brown, Dan Brummitt, Terry E. Garrison, Archie B. Taylor, Jr., Gordon Wilder, and Eddie L. Wright

Noes: None

* * * * *

I, Kelly H. Grissom, Clerk to the Board of Commissioners for the Vance County Water District, DO HEREBY CERTIFY that the foregoing has been carefully copied from the actually recorded minutes of the Board of Commissioners for said District at a called meeting held on January 28, 2013, the record having been made in the minutes of said Board of Commissioners, and is a true copy of so much of said minutes as relates in any way to the passage of a resolution providing for the issuance of \$3,841,000 Water Bond Anticipation Notes of said District.

I DO HEREBY FURTHER CERTIFY that proper notice of such regular meeting was given as required by North Carolina law.

WITNESS my hand and the official seal of said District this 28th day of January, 2013.

Kelly H. Grissom (signed)
Clerk to the Board

[DISTRICT SEAL]

As there was no further business, motion was made by Commissioner Deborah F. Brown, seconded by Commissioner Eddie L. Wright, vote unanimous, that the meeting be adjourned.

Approved and signed February 4, 2013.

Thomas S. Hester, Jr. (signed)
Thomas S. Hester, Jr, Chairman