

The Lincoln County Board of County Commissioners met as the governing body of the East Lincoln County Water and Sewer District at the Citizens Center, Third Floor, 115 West Main Street, Lincolnton, North Carolina, the regular place of meeting at 6:30 p.m. on February 16, 2004. The following were present:

Jerry W. Cochrane, Chairman

Thomas R. Anderson

Larry S. Craig

James "Buddy" Funderburk

Carrol Mitchem

Jeff Taylor, County Attorney

Stan Kiser, County Manager

Also present were Steve Gilbert, Director of Public Utilities and Amy S. Long, Clerk to the Board.

CALL TO ORDER

Chairman Cochrane called the February 16, 2004 meeting of the East Lincoln County Water and Sewer District Board to order.

ADOPTION OF AGENDA

UPON MOTION by Commissioner Craig, the Board voted unanimously to adopt the agenda as presented.

Agenda

**EAST LINCOLN COUNTY WATER AND SEWER DISTRICT
BOARD OF COUNTY COMMISSIONERS
GOVERNING BODY
LINCOLN COUNTY, NORTH CAROLINA**

**FEBRUARY 16, 2004
6:30 PM**

6:30 PM Call to Order

6:31 PM Invocation

6:33 PM Pledge of Allegiance

6:34 PM Adoption of Agenda

1. 6:35 PM Resolution for sale of Sewer Bonds – Leon Harmon
2. 6:45 PM Request for Sewer Tap Fee Increase – Steve Gilbert

Adjourn

Resolution for Sale of Sewer Bonds: Commissioner Cochrane introduced the following resolution, which was read by title and summarized by the Finance Director:

**RESOLUTION PROVIDING FOR THE ISSUANCE OF
\$5,560,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES 2004
OF THE EAST LINCOLN COUNTY WATER AND SEWER DISTRICT**

BE IT RESOLVED by the Board of Commissioners for the County of Lincoln, North Carolina (the “County”), acting as the governing body of the East Lincoln County Water and Sewer District:

Section 1. The Board of Commissioners has determined and does hereby find, declare and represent:

(a) That an order authorizing \$7,000,000 Refunding Bonds of the East Lincoln County Water and Sewer District, North Carolina (the “Issuer”), was adopted by the Board of Commissioners for the County, acting as the governing body of the Issuer, on August 4, 2003, which order has taken effect.

(b) That none of the bonds mentioned in paragraph (a) of this Section 1 has been issued, that no notes have been issued in anticipation of the receipt of the proceeds of the sale of said bonds, and that it is necessary to issue at this time \$5,560,000 principal amount of said bonds in accordance with the provisions of Section 2 of this resolution and subject to adjustment as set forth therein.

(c) That (i) the Issuer is a governmental unit with general taxing powers, (ii) no bond which is part of the issue of bonds described in Section 2 hereof is a private-activity bond, as defined in the Internal Revenue Code of 1986, as amended (the “Code”), (iii) 95 percent or more of the net proceeds of said bonds are to be used for local governmental activities of the Issuer, (iv) the aggregate face amount of all tax-exempt obligations (other than private-activity bonds) issued by the Issuer and all subordinate entities thereof during calendar year 2004 is not reasonably expected to exceed \$10,000,000 and (v) to the best of the Issuer’s knowledge, there are no subordinate entities of the Issuer.

(d) That the shortest period of time in which the debt of the Issuer to be refunded by the issuance of said bonds can be finally paid without making it unduly burdensome on the taxpayers of the Issuer, as determined by the Local Government Commission of North Carolina (the “LGC”), is a period which expires on June 1, 2017.

Section 2. Pursuant to said order, there shall be issued bonds of the Issuer, in the aggregate principal amount of \$5,560,000, designated “General Obligation Refunding Bonds, Series 2004” and dated March 1, 2004 (the “Bonds”). The Bonds shall be stated to mature (subject to the right of prior redemption as hereinafter set forth) annually, June 1, \$85,000 2004, \$90,000 2005, \$270,000 2006, \$540,000 2007, \$525,000 2008, \$510,000 2009, \$500,000 2010, \$485,000 2011, \$475,000 2012, \$470,000 2013, \$460,000 2014, \$450,000 2015, \$440,000 2016 and \$260,000 2017, and shall bear interest at a rate or rates to be determined by the LGC at the time the Bonds are sold, which interest to the respective maturities thereof shall be payable on June 1, 2004 and semiannually thereafter on June 1 and December 1 of each year until payment of such

principal sum. Notwithstanding the foregoing, the Issuer reserves the right to increase or decrease the aggregate principal amount of the Bonds following the opening of bids by an amount not exceeding 10% of the aggregate principal amount of the Bonds and the principal amount of each maturity of the Bonds by an amount not exceeding the greater of 10% of the principal amount of such maturity and \$40,000. The Finance Director of the Issuer is hereby authorized and directed to make any such increase or decrease, if appropriate, on behalf of the Issuer.

Each Bond shall bear interest from the interest payment date next preceding the date on which it is authenticated unless it is (a) authenticated upon an interest payment date in which event it shall bear interest from such interest payment date or (b) authenticated prior to the first interest payment date in which event it shall bear interest from its date; provided, however, that if at the time of authentication interest is in default, such Bond shall bear interest from the date to which interest has been paid.

The principal of and the interest on the Bonds 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 Bonds will be issued by means of a book-entry system with no physical distribution of Bond certificates to be made except as hereinafter provided. One fully-registered Bond certificate for each stated maturity of the Bonds, registered in the name of Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), or such other name as may be requested by an authorized representative of DTC, will be issued and required to be deposited with DTC and immobilized in its custody. The book-entry system will evidence beneficial ownership of the Bonds in the

principal amount of \$5,000 or any multiple thereof, 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 each Bond shall be payable to Cede & Co. or any other person appearing on the registration books of the Issuer hereinafter provided for as the registered owner of such Bond or his registered assigns or legal representative at such office of the Bond Registrar mentioned hereinafter or such other place as the Issuer may determine upon the presentation and surrender thereof as the same shall become due and payable. Payment of the interest on each Bond shall be made by the Bond Registrar on each interest payment date to the registered owner of such Bond (or the previous Bond or Bonds evidencing the same debt as that evidenced by such Bond) at the close of business on the record date for such interest, which shall be the 15th day (whether or not a business day) of the calendar month next preceding such interest payment date, by check mailed to such person at his address as it appears on such registration books. 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 Bonds by participants of DTC will be the responsibility of such participants and other nominees of such beneficial owners. The Issuer 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 Bonds or (b) the Finance Director of the Issuer determines that continuation of the book-entry system of evidence and transfer of ownership of the Bonds would adversely affect the interests of the beneficial owners of the Bonds, the Issuer will discontinue the

book-entry system with DTC. If the Issuer identifies another qualified securities depository to replace DTC, the Issuer will make arrangements with DTC and such other depository to effect such replacement and deliver replacement Bonds registered in the name of such other depository or its nominee in exchange for the outstanding Bonds, 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 Issuer fails to identify another qualified securities depository to replace DTC, the Issuer will deliver replacement Bonds in the form of fully-registered certificates in the denomination of \$5,000 or any multiple thereof (“Certificated Bonds”) in exchange for the outstanding Bonds as required by DTC and others. Upon the request of DTC, the Issuer may also deliver one or more Certificated Bonds to any participant of DTC in exchange for Bonds credited to its account with DTC.

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

Section 3. The Bonds shall bear the manual or facsimile signatures of the Chairman of the Board of Commissioners of the County and the Clerk or any Deputy Clerk to said Board, and the corporate seal or a facsimile of the corporate seal of the Issuer shall be impressed or printed, as the case may be, on the Bonds.

The certificate of the LGC to be endorsed on all Bonds shall bear the manual or facsimile signature of the Secretary of the LGC or any assistant designated by her, and the certificate of authentication of the Bond Registrar to be endorsed on all Bonds shall be executed as provided hereinafter.

In case any officer of the Issuer or the LGC whose manual or facsimile signature shall appear on any Bonds shall cease to be such officer before the delivery of such Bonds, 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 Bond may bear the manual or facsimile signatures of such persons as at the actual time of the execution of such Bond shall be the proper officers to sign such Bond although at the date of such Bond such persons may not have been such officers.

No Bond 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 Bond Registrar of the certificate of authentication endorsed thereon.

The Bonds to be registered in the name of Cede & Co. or any other nominee designated by an authorized representative of DTC and the endorsements thereon shall be in substantially the following forms:

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUIRED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

No. R- \$.....

United States of America
State of North Carolina
County of Lincoln

EAST LINCOLN COUNTY WATER AND SEWER DISTRICT
GENERAL OBLIGATION REFUNDING BOND, SERIES 2004

<u>Maturity Date</u>	<u>Interest Rate</u>	
<u>CUSIP</u>		
June 1, 20..%	----

The East Lincoln County Water and Sewer District (the "Issuer"), a body corporate and politic in the County of Lincoln, 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 above, upon the presentation and surrender hereof, at the office of the Finance Director of the Issuer (the "Bond Registrar"), which, as of the date hereof, is located at the Lincoln County Citizens Center, 115 West Main Street, Lincolnton, North Carolina, the principal sum of

..... DOLLARS

and to pay interest on such principal sum from the date hereof or from the June 1 or December 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is a June 1 or December 1 to which interest shall have been paid, in which case from such date, such interest to the maturity hereof being payable on June 1, 2004 and semiannually thereafter on June 1 and December 1 in each year, at the rate per annum specified above, until payment of such principal sum. The interest so payable on any such interest payment date will be paid to the person in whose name this bond (or the previous bond or bonds evidencing the same debt as that evidenced by this bond) is registered at the close of business on the record date for such

interest, which shall be the 15th day (whether or not a business day) of the calendar month next preceding such interest payment date, by check mailed to such person at his address as it appears on the bond registration books of the Issuer. Both the principal of and the interest on this Bond 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 the Issuer are hereby irrevocably pledged.

This bond is one of an issue of bonds designated “General Obligation Refunding Bonds, Series 2004” (the “Bonds”) and issued by the Issuer for the purpose of providing funds, together with any other available funds, for refunding a portion of the Issuer’s outstanding General Obligation Sanitary Sewer Bonds, Series 1995, dated June 1, 1995, and General Obligation Sanitary Sewer Bonds, Series 1996, dated June 1, 1996, and paying related costs, and this bond is issued under and pursuant to The Local Government Bond Act, as amended, Article 7, as amended, of Chapter 159 of the General Statutes of North Carolina, an order adopted by the Board of Commissioners for the County of Lincoln, North Carolina, acting as the governing body of the Issuer, which order has taken effect, and a resolution duly passed by said Board (the “Resolution”).

The Bonds maturing prior to June 1, 2015 are not subject to redemption prior to maturity. The Bonds maturing on June 1, 2015 and thereafter may be redeemed, at the option of the Issuer, from any moneys that may be made available for such purpose, either in whole or in part on any date not earlier than June 1, 2014, at a redemption price equal

to 100% of the principal amount of the Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption.

If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot by the Issuer in such manner as the Issuer in its discretion may determine; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof and that, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000. So long as a book-entry system with The Depository Trust Company, New York, New York ("DTC"), is used for determining beneficial ownership of Bonds, if less than all of the Bonds within a maturity are to be redeemed, DTC shall determine by lot the amount of the interest of each DTC direct participant in the Bonds to be redeemed. If less than all of the Bonds then subject to redemption shall be called for redemption, the particular maturities of Bonds or portions thereof to be redeemed shall be determined by the Issuer.

Not more than sixty (60) nor less than thirty (30) days before the redemption date of any Bonds to be redeemed, whether such redemption be in whole or in part, the Issuer shall cause a notice of such redemption to be filed with the Bond Registrar and given by certified or registered mail to Cede & Co. at its address appearing upon the registration books of the Issuer. On the date fixed for redemption, notice having been given as aforesaid, the Bonds or portions thereof so called for redemption shall be due and payable at the redemption price provided for the redemption of such Bonds or portions thereof on such date plus accrued interest to such date and, if moneys for payment of such

redemption price and the accrued interest have been deposited by the Issuer as provided in the Resolution, interest on the Bonds or the portions thereof so called for redemption shall cease to accrue. 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, of the same maturity, of any authorized denomination or denominations and bearing interest at the same rate will be issued to Cede & Co. or its legal representative upon the surrender hereof.

The Bonds are being issued by means of a book-entry system with no physical distribution of bond certificates to be made except as provided in the Resolution. One Bond certificate with respect to each date on which the Bonds are stated to mature, in the aggregate principal amount of the Bonds stated to mature on such date and registered in the name of Cede & Co., a nominee of DTC, is being issued and required to be deposited with DTC and immobilized in its custody. The book-entry system will evidence ownership of the Bonds in the principal amount of \$5,000 or any multiple thereof, 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 will be the responsibility of DTC, and transfer of principal and interest payments to beneficial owners of the Bonds by participants of DTC will be the responsibility of such participants and other nominees of such beneficial owners. The Issuer will 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, the Issuer will be authorized to deliver replacement Bonds in the form of fully-registered certificates in the denomination of \$5,000 or any multiple thereof in exchange for the outstanding Bonds as provided in the Resolution.

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

The Bond Registrar shall keep at his office the books of the Issuer for the registration of transfer of Bonds. The transfer of this Bond may be registered only upon such books and as otherwise provided in the Resolution upon the surrender hereof to the Bond 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 Bond Registrar. Upon any such registration of transfer, the Bond Registrar shall deliver in exchange for this Bond a new Bond or Bonds, registered in the name of the transferee, of authorized denominations, in an aggregate principal amount equal to the unredeemed principal amount of this Bond, of the same maturity and bearing interest at the same rate. The Bond Registrar shall not be required to exchange or register the transfer of any Bond during a period beginning at the opening of business fifteen (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 of any Bond called for redemption in whole or in part pursuant to the Resolution.

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 Bond have happened, exist and have been performed in regular and due form and time as so required; that provision has been made for the levy and collection of a direct annual tax upon all taxable property within the corporate limits of the Issuer sufficient to pay the principal of and the interest on this Bond as the same shall become due; and that the total indebtedness of the Issuer, including this Bond, does not exceed any constitutional or statutory limitation thereon.

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

IN WITNESS WHEREOF, the Issuer, by resolution duly passed by the Board of Commissioners for the County of Lincoln, North Carolina, acting as the governing body of the Issuer, has caused this bond [to be manually signed by] [to bear the facsimile signatures of] the Chairman of said Board and the Clerk to said Board and [a facsimile of] its corporate seal to be [printed] [impressed] hereon, all as of the 1st day of March, 2004.

Chairman of the Board of
Commissioners

Clerk to the Board of
Commissioners

CERTIFICATE OF LOCAL GOVERNMENT COMMISSION

The issuance of the within bond has been approved under the provisions of The Local Government Bond Act of North Carolina.

Secretary, Local Government Commission

CERTIFICATE OF AUTHENTICATION

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

County
North Carolina,

Finance Director of the East Lincoln
Water and Sewer District,
as Bond Registrar

By _____
Authorized Signatory

Date of authentication: _____

ASSIGNMENT

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

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

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

Date: _____

Signature Guaranteed:

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

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

Certificated Bonds issuable hereunder shall be in substantially the form of the Bonds 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 Bonds.

Section 4. The Bonds maturing prior to June 1, 2015 are not subject to redemption prior to maturity. The Bonds maturing on June 1, 2015 and thereafter may be redeemed, at the option of the Issuer, from any moneys that may be made available for such purpose, either in whole or in part on any date not earlier than June 1, 2014, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption.

If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot by the Issuer in such manner as the Issuer in its discretion may determine; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof and that, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000; provided further, however, that so long as a book-entry system with DTC is used for determining beneficial ownership of

Bonds, if less than all of the Bonds within a maturity are to be redeemed, DTC shall determine by lot the amount of the interest of each DTC direct participant in the Bonds to be redeemed. If less than all of the Bonds then subject to redemption shall be called for redemption, the particular maturities of the Bonds or portions thereof to be redeemed shall be determined by the Issuer.

Not more than sixty (60) nor less than thirty (30) days before the redemption date of any Bonds to be redeemed, whether such redemption be in whole or in part, the Issuer shall cause a notice of such redemption to be filed with the Bond Registrar and to be mailed, postage prepaid, to the registered owner of each Bond to be redeemed in whole or in part at his address appearing upon the registration books of the Issuer, provided that such notice to Cede & Co. shall be given by certified or registered mail. Failure to mail such notice or any defect therein shall not affect the validity of the redemption as regards registered owners to whom such notice was given as required hereby. Each such notice shall set forth the date designated for redemption, the redemption price to be paid and the maturities of the Bonds to be redeemed. In the event that Certificated Bonds are outstanding, each such notice to the registered owners thereof shall also set forth, if less than all of the Bonds of any maturity then outstanding shall be called for redemption, the distinctive numbers and letters, if any, of such Bonds to be redeemed and, in the case of any Bond to be redeemed in part only, the portion of the principal amount thereof to be redeemed. If any Bond is to be redeemed in part only, the notice of redemption shall state also that on or after the redemption date, upon surrender of such Bond, a new Bond or Bonds in principal amount equal to the unredeemed portion of such Bond, of the same

maturity, of any authorized denomination or denominations and bearing interest at the same rate will be issued.

On or before the date fixed for redemption, moneys shall be deposited with the Bond Registrar to pay the redemption price of the Bonds or portions thereof called for redemption as well as the interest accruing thereon to the redemption date thereof.

On the date fixed for redemption, notice having been given in the manner and under the conditions hereinabove provided, the Bonds or portions thereof called for redemption shall be due and payable at the redemption price provided therefor, plus accrued interest to such date. If moneys sufficient to pay the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption, have been deposited by the Issuer to be held in trust for the registered owners of Bonds or portions thereof to be redeemed, interest on the Bonds or portions thereof called for redemption shall cease to accrue, such Bonds or portions thereof shall cease to be entitled to any benefits or security under this resolution or to be deemed outstanding, and the registered owners of such Bonds or portions thereof shall have no rights in respect thereof except to receive payment of the redemption price thereof, plus accrued interest to the date of redemption.

If a portion of a Bond shall be selected for redemption, the registered owner thereof or his attorney or legal representative shall present and surrender such Bond to the Bond Registrar for payment of the redemption price thereof so called for redemption, and the Bond Registrar shall authenticate and deliver to or upon the order of such registered owner or his legal representative, without charge therefor, for the unredeemed portion of the principal amount of the Bond so surrendered, a Bond or Bonds of the same maturity,

of any denomination or denominations authorized by this resolution and bearing interest at the same rate.

Section 5. Bonds, upon surrender thereof at the 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 shall be satisfactory to the Bond Registrar, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same maturity, of any denomination or denominations authorized by this resolution and bearing interest at the same rate.

The transfer of any Bond may be registered only upon the registration books of the Issuer upon 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 shall be satisfactory to the Bond Registrar. Upon any such registration of transfer, the Bond Registrar shall authenticate and deliver in exchange for such Bond 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 so surrendered, of the same maturity and bearing interest at the same rate.

In all cases in which Bonds shall be exchanged or the transfer of Bonds shall be registered hereunder, the Bond Registrar shall authenticate and deliver at the earliest practicable time Bonds in accordance with the provisions of this resolution. All Bonds surrendered in any such exchange or registration of transfer shall forthwith be cancelled by the Bond Registrar. The Issuer or the Bond Registrar may make a charge for shipping and out-of-pocket costs 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 by the Issuer or the Bond Registrar for exchanging or registering the transfer of Bonds under this resolution. The Bond Registrar shall not be required to exchange or register the transfer of any Bond during a period beginning at the opening of business fifteen (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 of any Bond called for redemption in whole or in part pursuant to Section 4 of this resolution.

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 or redemption price of any such Bond and the interest on any such Bond 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 Bond, and interest thereon, to the extent of the sum or sums so paid.

The Issuer 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 principal of and interest on the Bonds. The Finance Director of the Issuer is hereby appointed the registrar, transfer agent and paying agent for the Bonds (collectively the “Bond Registrar”), subject to the right of the governing body of the Issuer to appoint another Bond Registrar, and as such shall keep at his office the books of

the Issuer for the registration, registration of transfer, exchange and payment of the Bonds as provided in this resolution.

Section 6. The Issuer 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, except to the extent that the Issuer obtains an opinion of bond counsel to the effect that noncompliance would not result in interest on the Bonds being includable in the gross income of the owners of the Bonds for purposes of federal income taxation.

Section 7. The Issuer hereby represents that it reasonably expects that it and all subordinate entities thereof will not issue more than \$10,000,000 of tax-exempt obligations (not counting private-activity bonds except for qualified 501(c)(3) bonds as defined in the Code) during calendar year 2004. In addition, the Issuer hereby designates each of the Bonds as a “qualified tax-exempt obligation” for the purposes of Section 265(b)(3) of the Code.

Section. 8. The Issuer hereby undertakes, for the benefit of the beneficial owners of the Bonds, to provide:

(a) by not later than seven months from the end of each fiscal year of the Issuer, to each nationally recognized municipal securities information repository (“NRMSIR”) and to the state information depository for the State of North Carolina (“SID”), if any, audited financial statements of the Issuer for such fiscal year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or, if such audited financial statements of the Issuer are not

available by seven months from the end of such fiscal year, unaudited financial statements of the Issuer for such fiscal year to be replaced subsequently by audited financial statements of the Issuer to be delivered within 15 days after such audited financial statements become available for distribution;

(b) by not later than seven months from the end of each fiscal year of the Issuer, to each NRMSIR, and to the SID, if any, (i) the financial and statistical data as of a date not earlier than the end of the preceding fiscal year for the type of information included under the heading “The District-Debt Information and - Tax Information” in the Official Statement relating to the Bonds (excluding any information on overlapping units) and (ii) the combined budget of the Issuer for the current fiscal year, to the extent such items are not included in the financial statements referred to in (a) above;

(c) in a timely manner, to each NRMSIR or to the Municipal Securities Rulemaking Board (“MSRB”), and to the SID, if any, notice of any of the following events with respect to the Bonds, if material:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds;

- (7) modification to the rights of the beneficial owners of the Bonds;
- (8) bond calls;
- (9) defeasances;
- (10) release, substitution or sale of any property securing repayment of the Bonds; and
- (11) rating changes; and

(d) in a timely manner, to each NRMSIR or to the MSRB, and to the SID, if any, notice of a failure of the Issuer to provide required annual financial information described in (a) or (b) above on or before the date specified.

If the Issuer fails to comply with the undertaking described above, any beneficial owner of the Bonds then outstanding may take action to protect and enforce the rights of all beneficial owners with respect to such undertaking, including an action for specific performance; provided, however, that failure to comply with such undertaking shall not be an event of default and shall not result in any acceleration of payment of the Bonds.

The Issuer reserves the right to modify from time to time the information to be provided to the extent necessary or appropriate in the judgment of the Issuer, provided that:

- (a) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer;
- (b) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 issued under the

Securities Exchange Act of 1934 (“Rule 15c2-12”) as of the date of the Official Statement, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and

(c) any such modification does not materially impair the interests of the beneficial owners, as determined either by parties unaffiliated with the Issuer (such as bond counsel), or by approving vote of the registered owners of not less than a majority in principal amount of the Bonds then outstanding pursuant to the terms of this bond resolution, as it may be amended from time to time.

The Issuer agrees that the annual financial information containing the amended operating data or financial information will explain, in narrative form, the reasons for the amendments and the impact of the change in the type of operating data or financial information being provided.

The provisions of this Section 8 shall terminate upon payment, or provision having been made for payment, in a manner consistent with Rule 15c2-12, in full of the principal of and interest on all of the Bonds.

Section 9. The action of the Finance Director of the Issuer in applying to the LGC to sell the Bonds and the action of the LGC in asking for sealed bids for the Bonds by printing and distributing a Notice of Sale and Bid Form and a Preliminary Official Statement relating to the sale of the Bonds are hereby ratified and approved. Such Preliminary Official Statement, to be dated February 20, 2004 and in substantially the form presented at this meeting, is hereby approved, and the Chairman of the Board of

Commissioners, the County Manager and the Finance Director, acting in their respective capacities as officers of the Issuer, are each hereby authorized to approve the Official Statement, in substantially the form of the Preliminary Official Statement, including changes necessary to reflect the interest rates on the Bonds, the offering prices of the Bonds and any credit enhancement for the Bonds purchased by the successful bidder, and to execute such Official Statement for and on behalf of the Issuer.

Section 10. First-Citizens Bank & Trust Company is hereby appointed as escrow agent in connection with the refunding of the bonds to be refunded by the issuance of the Bonds (the “Escrow Agent”), subject to the right of the governing body of the Issuer to appoint another Escrow Agent as provided in the Escrow Deposit Agreement hereinafter mentioned, and as such shall perform its responsibilities as provided in such Escrow Deposit Agreement. Such Escrow Deposit Agreement, substantially in the form of the draft thereof presented at this meeting, and the creation of the Escrow Fund and the other arrangements described therein to accomplish such refunding are hereby approved, and the Finance Director is hereby authorized to approve such changes in such Escrow Deposit Agreement as are necessary or desirable and to execute such Escrow Deposit Agreement and any forward purchase agreement, forward float agreement or similar arrangement entered into in connection with the contemplated refunding for and on behalf of the Issuer.

Section 11. This resolution shall take effect upon its passage.

Upon motion of Commissioner Anderson, seconded by Commissioner Craig, the foregoing resolution entitled: “**RESOLUTION PROVIDING FOR THE ISSUANCE OF \$5,560,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES 2004 OF THE**

EAST LINCOLN COUNTY WATER AND SEWER DISTRICT" was passed by the following vote:

Ayes: Commissioners Cochrane, Anderson, Craig, Funderburk and Mitchem.

Noes: none.

Thereupon the Chairman announced that said resolution had passed.

Request for Sewer Fee Tap Increase: Steve Gilbert presented a request from the Public Works Department to increase sewer tap fees. The 2-inch Low Pressure Sewer Tap will be raised from \$1,500 to \$1,650 and the 4-inch Gravity Sewer Tap will be raised from \$1,500 to \$1,875.

UPON MOTION by Commissioner Craig, the Board voted 4 – 1 (Commissioner Mitchem against) to approve the new sewer tap fees.

Adjourn: **UPON MOTION** by Commissioner Funderburk, the Board voted unanimously to adjourn the meeting.

Amy S. Long, Clerk to the Board
Board of Commissioners

Jerry W. Cochrane, Chairman
Board of Commissioners