

**MINUTES
SPECIAL CALLED MEETING
HERTFORD COUNTY BOARD OF COMMISSIONERS
MULTI-PURPOSE ROOM - JUDICIAL CENTER
Monday, March 9, 2020
9:00 AM**

PRESENT:

Com. Ronald J. Gatling, Chairman
Com. Andre` Lassiter
Com. William F. Mitchell, Jr.

ABSENT:

Com. John D. Horton, Vice-Chair
Com. Leroy Douglas

ALSO PRESENT WITH THE BOARD:

Mr. David Cotton, Interim County Manager
Dr. Renee Fleetwood, Clerk to the Board

Ms. Maria R. Jones, Attorney ~ Revelle &
Lee, LLP

ABSENT:

Mr. Charles L Revelle, III, County Attorney

Chairman Ronald J. Gatling called the meeting to order at 7:00 pm. Invocation was provided by Dr. Renee Fleetwood.

On a motion by Com. Andre` Lassiter and second by Com. William F. Mitchell, Jr., the Board unanimously approved to convene as the Board of the Northern/Southern Rural Water System.

REQUEST APPROVAL OF BOND ORDER OF HERTFORD NORTHERN RURAL WATER DISTRICT AUTHORIZING THE ISSUANCE OF WATER SYSTEM REVENUE BONDS TO PROVIDE FUNDS TO CONSTRUCT IMPROVEMENTS TO ITS WATER SYSTEM; PROVIDING FOR THE ISSUANCE OF ADDITIONAL REVENUE BONDS FOR VARIOUS PURPOSES; PROVIDING FOR THE ISSUANCE OF REVENUE BOND ANTICIPATION NOTES IN ANTICIPATION OF THE ISSUANCE OF REVENUE BONDS; 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 WATER SYSTEM; SETTING FORTH THE RIGHTS AND REMEDIES OF HOLDERS; AND SETTING FORTH THE DETAILS OF CERTAIN RELATED MATTERS

On a motion by Com. Mitchell and second by Com. Lassiter the Board unanimously approved the Bond Order Of Hertford Northern Rural Water District Authorizing The Issuance Of Water System Revenue Bonds To Provide Funds To Construct Improvements To Its Water System; Providing For The Issuance of Additional Revenue Bonds For Various Purposes;

Providing For The Issuance Of Revenue Bond Anticipation Notes In Anticipation Of The Issuance of Revenue Bonds; 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 Water System; Setting Forth The Rights And Remedies Of Holders; And Setting Forth The Details of Certain Related Matters as follows:

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BOND ORDER OF HERTFORD NORTHERN RURAL WATER DISTRICT AUTHORIZING THE ISSUANCE OF WATER SYSTEM REVENUE BONDS TO PROVIDE FUNDS TO CONSTRUCT IMPROVEMENTS TO ITS WATER SYSTEM; PROVIDING FOR THE ISSUANCE OF ADDITIONAL REVENUE BONDS FOR VARIOUS PURPOSES; PROVIDING FOR THE ISSUANCE OF REVENUE BOND ANTICIPATION NOTES IN ANTICIPATION OF THE ISSUANCE OF REVENUE BONDS; 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 WATER SYSTEM; SETTING FORTH THE RIGHTS AND REMEDIES OF HOLDERS; AND SETTING FORTH THE DETAILS OF CERTAIN RELATED MATTERS

WHEREAS, the Board of Commissioners of the County of Hertford, North Carolina (the “Board of Commissioners”), acting as the Board of Commissioners of Hertford Northern Rural Water District (the “District”), is authorized by Article 6 of Chapter 162A and Article 5 of Chapter 159 of the North Carolina General Statutes to issue revenue bonds and notes; and

WHEREAS the Board of Commissioners has determined that it is necessary to make capital improvements to the water system located in the District (collectively, the “Project”); and

WHEREAS, the Board of Commissioners is considering the issuance of not to exceed \$936,000 in the aggregate principal amount of the District’s Water System Revenue Bonds (the “Initial Bonds”) to finance or refinance the Project; and

WHEREAS, the District has filed an application with the Local Government Commission of North Carolina for the issuance of revenue bonds in an amount not exceeding \$936,000 for the purpose of providing funds, together with any other available funds, to finance the costs of the Project and any related financing expenses;

NOW, THEREFORE, BE IT ORDERED by the Governing Body of the District 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 District 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 District 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 capitalized words and terms as used in this Bond Order shall have the following meanings, unless some other meaning is expressly intended:

“Act” means collectively Article 6 of Chapter 162A of the North Carolina General Statutes, and The State and Local Government Revenue Bond Act, constituting Article 5 of Chapter 159 of the General Statutes of North Carolina, as amended.

“Additional Bonds” means any bonds, notes or other evidences of indebtedness secured by and payable from Net Revenues issued under this Bond Order pursuant to the provisions of Article III.

“Annual Budget” means any budget or amended budget adopted or in effect pursuant to Section 7.07.

“Auditors” means the independent firm of certified public accountants that is employed by the District (or by the County on behalf of the District) to audit the District’s books and accounts at the end of each Fiscal Year (which may be part of the audit of the County’s books and records).

“Bond” or “Bonds” means, collectively, the Initial Bonds and any Additional Bonds, and also includes any bond anticipation note or notes authorized and issued pursuant to Section 2.10.

“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.

“Bond Registrar” means the person serving in the capacity of the finance officer of the County, regardless of any particular title, or any successor registrar for the Bonds as appointed by the Governing Body.

“Clerk” means the Clerk to the Board of Commissioners of the County, sitting as the Board of Commissioners of the District, or his or her designated assistant.

“Commission” means the Local Government Commission of North Carolina.

“Consulting Engineers” means an independent engineer or engineering firm at the time employed by the District (or by the County on behalf of the District) to perform the functions and duties imposed on the Consulting Engineers by this Bond Order.

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

“County” means the County of Hertford, North Carolina.

“Debt Service Requirement” means, with respect to Bonds in any Fiscal Year, the sum of (a) the amount required to pay the interest on the Bonds then outstanding which is payable in such Fiscal Year and (b) the amount required to pay the principal of the Bonds then outstanding which is payable in such Fiscal Year; provided, however, that computation of such amount shall exclude any interest which is funded from proceeds of the Bonds; and provided further that the computation of such amount shall be based on the assumption that (i) the Bonds at the time outstanding will be retired according to their stated maturities or mandatory redemption requirements, (ii) any bond anticipation notes issued pursuant to this Bond Order and maturing during such Fiscal Year will be refunded with Additional Bonds such that the principal amount of such bond anticipation notes is not due and payable by the District in such Fiscal Year and (iii) if the Bonds bear interest at a variable rate, the rate is the maximum rate.

“Debt Service Reserve Fund” means the fund created and so designated by Section 5.03.

“Debt Service Reserve Fund Requirement” means an amount equal to the maximum Debt Service Requirement 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 such State and designated by the Governing Body as a depository of moneys under the provisions of this Bond Order.

“District Representative” means the County Manager of the County, the Finance Director of the County, and any other person or persons designated to act on behalf of the District in such capacity by resolution of the Governing Body.

“Existing Facilities” means the existing water system facilities and improvements owned and operated by the District as of the date of adoption of this Bond Order.

“Finance Director” means the person serving in the capacity of the finance officer of the County, regardless of any particular title, or the officer succeeding to or exercising his or her 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.

“Governing Body” means the governing Board of Commissioners of the County, sitting as the Board of Commissioners of the District, in which the general legislative powers of the District shall now or hereafter be vested.

“Initial Bonds” means the Bonds authorized under Section 2.01.

“Issuer Representative” means the County Manager, the County Finance Director and any other person or persons designated to act on behalf of the District in such capacity by resolution of the Governing Body.

“Net Revenues” means the Revenues received by the District during any period less the Operating Expenses paid by the District during such Fiscal Year.

“Operating Expenses” means the District’s reasonable and necessary current expenses of maintaining, repairing and operating the System, including, without limiting the generality of the foregoing, all administrative, general and commercial expenses, insurance and surety bond premiums, payments for the billing and collection of Service Charges, architectural and engineering expenses, fees and expenses of the Bond Registrar and any trustee appointed hereunder, legal expenses, any taxes which may be lawfully imposed on the District or its income or operations or the property under its control, ordinary and current rentals of equipment or other property, usual expenses of maintenance and repair, and any other current expenses required to be

paid by the District under the provisions of this Bond Order or by law, all to the extent properly and directly attributable to the System, but not including any reserves for operation, maintenance or repair or any allowance for depreciation, amortization, interest or similar charges.

“Project” means Project as defined in the preamble to this Bond Order.

“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 and as may be amended from time to time, or any successor statute.

“Revenue Fund” means the fund created and so designated by Section 5.03.

“Revenues” means all income received by the District from, in connection with, or as a result of, its ownership or operation of the System, including all moneys received in payment of rates, fees and other charges for the use of and for the services furnished by the System and investment income, but excluding the proceeds of any borrowing for payment of the costs of, or grants or donations intended for, specific System Improvements and also excluding any income received in payment of fees or charges that are intended to be set aside specifically for a particular capital project and that are not available for payment of Operating Expenses or debt service on the Bonds.

“Secretary” means the Secretary of The North Carolina Local Government Commission or any deputy secretary.

“Series Resolution” means the resolution of the Governing Body providing for the issuance of any Bonds and fixing the details thereof.

“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 Governing Body.

“State” means the State of North Carolina.

“State Treasurer” means the Treasurer of the State of North Carolina or his designated assistant.

“Subordinated Indebtedness” means indebtedness the terms of which shall provide that it shall be subordinate and junior in right of payment to the prior payment in full of the Bonds. For purposes of this Bond Order, obligations or debt instruments issued to the State as part of the State Revolving Loan Program or State Clean Water Bond Program are deemed to be Subordinated Indebtedness. Such Subordinated Indebtedness shall comply with the requirements of Section 11.10 hereof.

“Subordinated Indebtedness Debt Service Requirement” means, with respect to Subordinated Indebtedness in any Fiscal Year, the sum of (a) the amount required to pay the interest on the Subordinate Indebtedness then outstanding which is payable in such Fiscal Year and (b) the amount required to pay the principal of the Subordinated Indebtedness then outstanding which is payable in such Fiscal Year, the computation of such amount to be based on the assumption that (i) the Subordinated Indebtedness at the time outstanding will be retired according to its stated maturity or mandatory redemption requirements and (ii) if the Subordinated Indebtedness bears interest at a variable rate, the rate is the ceiling rate.

“System” means the Existing Facilities, the Project and any System Improvements.

“System Improvements” means any construction, reconstruction, improvement, enlargement, betterment or extension of the System, including all plants, works, instrumentalities and properties relating thereto.

Section 1.03. Rules of Construction. 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, as well as natural persons. Unless the context shall otherwise indicate, words used herein shall include the plural as well as the singular number. References herein to particular articles or sections are references to articles or sections of this Bond Order unless some other reference is indicated.

ARTICLE II

AUTHORIZATION OF PROJECT AND INITIAL BONDS; TERMS, EXECUTION, AUTHENTICATION, DELIVERY AND REGISTRATION OF BONDS

Section 2.01. Authorization of Project and Initial Bonds. The District shall issue, in accordance with and pursuant to the Act and this Bond Order, its water system revenue bonds in an aggregate principal amount not to exceed \$936,000 (the “Initial Bonds”) for the purpose of providing funds, together with any other available funds, to pay the costs of the Project and certain fees and expenses related to the authorization, issuance and sale of the Initial Bonds. The Initial Bonds shall be issued pursuant to the Act, this Bond Order and a Series Resolution authorizing and setting forth the details of the Initial Bonds.

Section 2.02. Character of Bonds. The Bonds shall be special revenue obligations of the District payable solely from Net Revenues.

Section 2.03. Terms of Bonds. The Bonds are issuable as fully registered bonds without coupons. 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 each series of Bonds. Both principal of and interest on the Bonds shall be paid by wire transfer of immediately available funds or by check mailed to the Holder thereof unless otherwise specified in the applicable Series Resolution for such Bonds. Interest shall be sent to the person shown as the Holder of the Bonds on the registration books on the 15th day of the month preceding each interest payment date (whether or not such 15th day is a business day). 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 and in the Series Resolution providing for the issuance of such Bonds.

Section 2.04. Execution of Bonds. Each Bond shall be executed in the name of the District by manual or facsimile signatures of the Mayor or the District Manager and the Clerk and the Finance Director (or such other officers of the District as shall be designated by the Governing Body for such purpose) and shall have impressed or printed thereon the official seal of the District 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 District 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 District 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 2.05. Registration and Transfer of Bonds. The District 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 District 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.

In all cases in which the Bonds shall be transferred hereunder, the District 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 District 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 District 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.

Notwithstanding any other provisions of this Bond Order or any Series Resolution to the contrary, the Bond Registrar shall not register the transfer of any Bond to any person other than a bank, insurance company or similar financial institution or to the United States of America, acting by and through Rural Development, an agency of the United States Department of Agriculture (formerly Farmers Home Administration) ("USDA") unless such transfer has been previously approved by the Commission. The provisions of this paragraph may not be amended without the prior written consent of the Commission.

Section 2.06. 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 2.07. Mutilated, Destroyed, Stolen or Lost Bonds. In case any outstanding Bond shall become mutilated or be destroyed, stolen or lost, the District 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 District 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 District and the Bond Registrar in connection therewith and evidence of compliance with such other reasonable regulations as the Bond Registrar and Governing Body 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 Mayor and the Clerk (or such other officers of the District as shall be designated by the Governing Body for such purpose)

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 2.08. Authentication of Initial Bonds. The Initial Bonds shall be executed substantially in the manner hereinabove set forth and shall be deposited with the Bond Registrar for authentication, but prior to or simultaneously with the authentication by the Bond Registrar and delivery of the Initial Bonds by the State Treasurer there shall be filed with the Bond Registrar and delivered to the initial purchaser of the Initial Bonds the following:

(a) copies, certified by the Clerk to be true and correct copies, of this Bond Order and the Series Resolution authorizing and prescribing the details of the Initial Bonds, including form, maturities and redemption provisions;

(b) a certificate of the Commission showing the award of the Initial Bonds and specifying the interest rate or rates thereof;

(c) a copy, certified by the Clerk to be a true and correct copy, of the resolution (which may be incorporated in the Series Resolution) of the Governing Body directing the authentication of the Initial Bonds and the delivery thereof to or upon the order of the purchasers therein named upon payment of the purchase price therein set forth and

(d) an opinion of Counsel to the effect that the issuance of the Initial Bonds has been duly authorized, executed and delivered by the District and such other matters as may be requested by the initial purchaser of the Initial Bonds.

When the documents mentioned in clauses (a) to (d), inclusive, of this Section shall have been filed with the Bond Registrar and when the Initial Bonds shall have been executed and authenticated as required by this Bond Order, the Bond Registrar shall authenticate and deliver the Initial Bonds to or upon the order of the purchasers thereof, but only upon payment to, or upon the order of, the State Treasurer of the purchase price of the Initial Bonds. The Bond Registrar shall be entitled to rely upon the foregoing certificates with respect to the matters contained therein.

The Initial Bonds shall not be valid or obligatory for any purpose unless authenticated by the Bond Registrar.

Section 2.09. Approval of Issuance and Sale of Initial Bonds. None of the Initial 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 provisions of the Act.

Section 2.10. Issuance of Revenue Bond Anticipation Notes. The District is authorized to issue, in anticipation of the receipt of the net proceeds of any Bonds, water system revenue bond anticipation notes for the purpose of providing funds to pay the cost 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 Net Revenues pursuant to Section 5.01. The Revenues, as received by the District, shall immediately be subject to the lien of the pledge of the Net Revenues without any physical delivery thereof or further act. All covenants, obligations and agreements of the District contained in this Bond Order shall be deemed to be covenants, obligations and agreements of the District with the Holders of any notes hereafter issued.

ARTICLE III ADDITIONAL BONDS

Section 3.01. Refunding of Outstanding Bonds. The District may, to the extent permitted by the Act and the provisions of this Section, issue, from time to time, bonds, notes and other evidences of indebtedness secured by and payable from Net Revenues (herein referred to as "Additional Bonds") for the purpose of refunding all or any portion of the Initial Bonds or any Additional Bonds for the purpose of achieving aggregate debt savings; provided, however, that bond anticipation notes issued pursuant to Section 2.10 may be refunded without evidence of aggregate debt savings. Except as to any difference in the maturities thereof or in the rate or rates of interest or the provisions for redemption, such refunding obligations shall be on a parity with and shall be entitled to the same benefit and security of this Bond Order as other Bonds. The Bond Registrar shall not authenticate and deliver any Additional Bonds for this purpose unless theretofore or simultaneously therewith there shall have been filed with the Bond Registrar the following:

(a) a copy, certified by the Clerk to be a true and correct copy, of the Series Resolution authorizing the issuance of the Additional Bonds and prescribing the details thereof;

(b) a certificate of the Commission showing the award of the Additional Bonds and specifying the interest rate or rates thereof;

(c) a copy, certified by the Clerk to be a true and correct copy, of the resolution (which may be incorporated in the Series Resolution) of the Governing Body directing the authentication of the Additional Bonds and the delivery thereof to or upon the order of the purchasers therein named upon payment of the purchase price therein set forth;

(d) an opinion of Counsel to the effect that the issuance of the Additional Bonds has been duly authorized, executed and delivered, that all conditions precedent to the delivery of the Additional Bonds have been fulfilled and such other matters as may be requested by the initial purchaser of the Additional Bonds; and

(e) such documents as shall be required by the Bond Registrar to evidence that provision has been satisfactorily made for the redemption of the Bonds to be refunded.

When the documents mentioned in clauses (a) to (e), inclusive, of this Section shall have been filed with the Bond Registrar and when the Additional Bonds shall have been executed and authenticated as required by this Bond Order, the Bond Registrar shall deliver the Additional Bonds to or upon the order of the purchasers thereof, but only upon payment to the State Treasurer of the purchase price of the Additional Bonds.

No Additional Bonds shall be valid or obligatory for any purpose unless authenticated by the Bond Registrar.

Section 3.02. Financing of System Improvements. The District may, to the extent permitted by the Act and the provisions of this Section, issue Additional Bonds which shall be secured by and payable from the same funds as previously issued Bonds for the purpose of financing System Improvements. Except as to any difference in the maturities thereof or in the rate or rates of interest or the provisions for redemption, such obligations shall be on a parity with and shall be entitled to the same benefit and security of this Bond Order as all other Bonds. The Bond Registrar shall not authenticate and deliver any Additional Bonds for this purpose unless theretofore or simultaneously therewith there shall have been filed with the Bond Registrar, the following:

(a) a copy, certified by the Clerk to be a true and correct copy, of the Series Resolution authorizing the issuance of the Additional Bonds and prescribing the details thereof and providing that the System Improvements to be financed with the proceeds thereof are thereby made a part of the System and that the Revenues of such System Improvements are thereby pledged to the Additional Bonds and as additional security for the outstanding Bonds;

(b) a certificate of the Commission showing the award of the Additional Bonds and specifying the interest rate or rates thereof;

(c) a copy, certified by the Clerk to be a true and correct copy, of the resolution (which may be incorporated in the Series Resolution) of the Governing Body directing the authentication of the Additional Bonds and the delivery thereof to or upon the order of the purchasers therein named upon payment of the purchase price therein set forth;

(d) an opinion of Counsel to the effect that the issuance of the Additional Bonds has been duly authorized, executed and delivered, that all conditions precedent to the delivery of the Additional Bonds have been fulfilled and such other matters as may be requested by the initial purchaser of the Additional Bonds;

(e) a certificate, signed by a District Representative stating that (i) all payments required by Section 5.04 to pay debt service and all deposits into the Debt Service Reserve Fund prior to the beginning of the month during which the Additional Bonds are issued have been made and (ii) to his or her knowledge, no event of default shall have occurred and be continuing under this Bond Order;

(f) a certificate, signed by a District Representative, stating that the Net Revenues for each of the two complete Fiscal Years next preceding the issuance of the proposed Additional Bonds were equal to at least 110% of the Debt Service Requirement on all Bonds then outstanding during each such Fiscal Year, 100% of the amount necessary to pay annual debt service obligations on Subordinated Indebtedness, if any, and 100% of the amount necessary to pay annual debt service obligations coming due in that Fiscal Year with respect to the District's general obligation bonds and installment financing obligations, if any, used to finance System Improvements; and

(g) a statement, signed by a District Representative, to the effect that the estimated Net Revenues for each of the first two complete Fiscal Years following the date of issuance of the Additional Bonds will be at least 110% of the Debt Service

Requirements on all outstanding Bonds and the proposed Additional Bonds for each such Fiscal Year, 100% of the amount necessary to pay annual debt service obligations on Subordinated Indebtedness, if any, and 100% of the amount necessary to pay annual debt service obligations coming due in that Fiscal Year with respect to the District's general obligation bonds and installment financing obligations, if any, used to finance System Improvements.

When the documents mentioned in clauses (a) to (g), inclusive, of this Section shall have been filed with the Bond Registrar and when the Additional Bonds shall have been executed and authenticated as required by this Bond Order, the Bond Registrar shall deliver the Additional Bonds to or upon the order of the purchasers thereof, but only upon payment of the purchase price of the Additional Bonds.

No Additional Bonds shall be valid or obligatory for any purpose unless authenticated by the Bond Registrar.

Section 3.03. Approval by Local Government Commission. Additional Bonds shall not 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 3.04. Waiver of Additional Bonds Limitations. The limitations hereinabove set forth with respect to the issuance of Additional Bonds may be waived or modified by the written consent of Holders owning sixty percent (60%) or more of the aggregate principal amount of the outstanding Bonds. No such waiver or modification will be effective without a statement, signed by a District Representative, to the effect that the estimated Net Revenues for the first two complete Fiscal Years following the date of issuance of the Additional Bonds will be at least 100% of the Debt Service Requirements on all outstanding Bonds and the proposed Additional Bonds for each such Fiscal Year.

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.

Section 4.02. Notice of Redemption. Whenever the District shall elect to redeem Bonds notice thereof shall be given in the manner provided in the Series Resolution authorizing the issuance of such Bonds.

Section 4.03. Payment of Redeemed Bonds. Notice having been given in the manner provided in this Bond Order and the applicable Series Resolution, 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 District 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.

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

Section 4.04. Cancellation of Redeemed Bonds. All Bonds redeemed prior to maturity shall be cancelled forthwith in the manner provided by applicable law.

ARTICLE V REVENUES AND FUNDS

Section 5.01. Pledge of Net Revenues. The District hereby pledges the Net Revenues to secure the payment of the principal of, redemption premium, if any, and interest on the Bonds. The Net Revenues, as received by the District, 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 District, including any general obligation bonds, or notes issued in anticipation thereof, heretofore or hereafter issued by the District 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 District irrespective of whether such parties have notice thereof.

Section 5.02. Rate Covenant. (a) The District covenants to fix, charge and collect rates, fees, rentals and charges for the use of and for services furnished or to be furnished by the System, and that from time to time and as often as it shall appear necessary, it shall revise such rates, fees, rentals and charges as may be necessary or appropriate, in order that for each Fiscal Year the Net Revenues (calculated in accordance with generally accepted accounting principles) will be not less than one hundred and ten percent (110%) of the Debt Service Requirement for such Fiscal Year and one hundred percent (100%) of the Subordinated Indebtedness Debt Service Requirement for such Fiscal Year and one hundred percent (100%) the amount necessary to meet annual debt service obligations coming due in that Fiscal Year with respect to the District's general obligation bonds and installment financing obligations, if any, used to finance System Improvements.

(b) In addition to the covenant set forth in subsection (a) above, the District also covenants to fix, charge and collect rates, fees, rentals and charges for the use of and for the services furnished or to be furnished by the System, and that from time to time and as often as it shall appear necessary, it shall revise such rates, fees, rentals and charges as may be necessary or appropriate, in order that the Revenues will be sufficient in each Fiscal Year (i) to pay Operating Expenses, (ii) to pay the Debt Service Requirements and (iii) to make such other deposits or payments as may be required under the provisions of this Bond Order or any Series Resolution.

(c) The District covenants that all users will pay for services at the rates, fees and charges established by the District from time to time in accordance with the District's customary billing practices and policies.

(d) If the District fails to comply with the covenants set forth in subsections (a) and (b) above, it shall, within thirty (30) days of the receipt by the District of the audit report required by Section 7.08, request a Consulting Engineer to make its recommendations, if any, as to a revision of the District's rates, fees, rentals and charges for the System, its Operating Expenses or the method of operation of the System in order to satisfy the foregoing requirements of this Section. Copies of such request and of the recommendations of the Consulting Engineer, if any, shall be filed by the District with the Commission. Promptly upon its receipt of the recommendations of the Consulting Engineer, the District shall, after giving due consideration to the recommendations, revise its rates, fees, rentals and charges for the System or its Operating Expenses or alter its methods of operation, which revisions or alterations need not comply with the Consulting Engineer's recommendations but which are projected by the District to result in compliance with the covenants set forth in subsections (a) and (b) of this Section. If the District shall comply with all of the recommendations of the Consulting Engineer, failure to comply with the provisions of subsections (a) and (b) above shall not constitute an event of default under the provisions of clause (f) of Section 8.01. Compliance with all of the recommendations of the Consulting Engineer shall have no effect on any event of default other than an event of default under the provisions of clause (f) of Section 8.01. In the event of any failure to comply with the provisions of subsections (a) and (b) above and the failure of the District to comply with all of the recommendations of the Consulting Engineer, and in addition to the remedies elsewhere provided in this Bond Order, the Holders of not less than 50% in aggregate principal amount of the Bonds then outstanding may institute and prosecute in a court of competent jurisdiction an appropriate action to compel the District to comply with all of the recommendations of the Consulting Engineer in order to satisfy the foregoing requirements of this Section. The District covenants that it will adopt and charge rates, fees, rentals and charges for the System and revise its Operating Expenses or the method of operation of the System in compliance with any final order, decree or judgment entered in any such proceeding or modification thereof.

(e) Notwithstanding any of the foregoing provisions of this Section, contracts and agreements for the use of the System, or any component thereof, in effect on the date of issuance of the Initial Bonds shall not be subject to revision for purposes of compliance with the covenants set forth in subsections (a) and (b) of this Section except in accordance with their terms. The District may enter into new contracts or agreements or amend or rescind existing contracts or agreements for the use of the System on such terms and for such periods of time as the District shall determine to be proper.

(f) The District also covenants to fix and charge rates, fees, rentals and charges for the System which rates, fees, rentals and charges shall be reasonable and non-discriminatory. Nothing contained in this Section shall obligate the District to take any action in violation of any applicable requirements imposed by law.

Section 5.03. Creation of Funds. There is hereby created the following designated special funds: (a) "Hertford Northern Rural Water District Fund" (which is the existing enterprise fund of the District relating to the System and which shall

hereinafter be called the “Revenue Fund”); and the (b) Hertford Northern Rural Water District Debt Service Reserve Fund” (hereinafter called the “Debt Service Reserve Fund”). The moneys in each Fund shall be held by the District in trust with a Depositary and applied as hereinafter provided in this Article. The funds in each Fund are hereby pledged to the payment of principal of, premium, if any, and interest on the Bonds. Each Fund shall be maintained as long as any of the Bonds are outstanding.

Section 5.04. Application of Revenues Received by the District. (a) All Revenues collected by or on behalf of the District shall be deposited by the District with one or more Depositaries as soon as practicable following the receipt thereof and held in the Revenue Fund. The District shall withdraw and transfer or expend moneys held in the Revenue Fund only for the purposes and in the manner set forth in this Section.

(b) Operating Expenses shall be paid by the District from, and shall be a first charge and lien against, the Revenue Fund. The Operating Expenses shall be paid from amounts held in the Revenue Fund as the same become due and payable in conformity with the applicable budgetary and payment procedures of the District.

(c) At such time or times as are specifically provided for herein or in any Series Resolution, the District shall, after payment of such Operating Expenses then due and payable, withdraw from the Revenue Fund the amount necessary to make the following payments or deposits in the following manner and order:

(i) At such time or times as provided in any Series Resolution, the Issuer shall pay to such persons an amount sufficient for the payment of the principal of, premium, if any, and interest on the Bonds then due and payable; provided, however, that if there shall not be sufficient Net Revenues to satisfy all such deposits and payments, such deposits and payments shall be made to each Holder ratably according to the amount so required to be deposited or paid;

(ii) At such time or times as provided in any Series Resolution, the Issuer shall transfer to the Debt Service Reserve Fund an amount equal to the debt service reserve fund requirement therefor; provided, however, that if there shall not be sufficient Net Revenues to satisfy all such deposits, such deposits shall be made to each such debt service reserve ratably according to the amount so required to be deposited.

(iii) Provided no event of default exists under this Bond Order, if any general obligation debt incurred to finance or refinance all or any part of the System is outstanding, the Issuer may, in its sole discretion, pay interest on and principal of such general obligation debt as the same becomes due and payable.

(iv) Provided no event of default exists under this Bond Order, if any installment purchase, lease purchase, conditional sale or other similar types of debt or obligations incurred to finance or refinance all or any part of the System are outstanding, the Issuer, in its sole discretion, may pay interest on and principal of such debt, or corresponding installment, lease or other similar type payments, as the same become due and payable.

Notwithstanding anything in this subsection (c) to the contrary, failure by the Issuer to make any deposits required by clauses (iii) and (iv) of this subsection (c) shall not in and of itself be an event of default under this Bond Order.

Provided, however, that if the amount so deposited in any month to the credit of any Fund mentioned in Section 5.04 hereof shall be less than the required amount, the requirement therefor shall nevertheless be cumulative and the amount of any deficiency in any month shall be added to the amount otherwise required to be deposited to the credit of such Fund in each month thereafter until such time as such deficiency shall be made up.

(d) At the end of each month, after making all deposits or payments required by this Section (including setting aside sufficient funds to pay principal and interest due on the Bonds on the next interest payment date), the Issuer may transfer any balance remaining in the Revenue Fund to any other fund or account designated by the Issuer to be used for any lawful purpose, including, without limitation, to any capital project fund or capital revenue fund established for the System, but only if the following conditions are met: (i) no event of default shall exist and be continuing; (ii) in the opinion of the Finance Director of the Issuer, such transfer will not have a material adverse effect on the Issuer’s ability over the next twelve calendar months to pay the Operating Expenses, to make all deposits and payments required by this Section and to meet all other financial obligations imposed by this Bond Order or any Series Resolution; and (iii) the cumulative amount so transferred in any Fiscal Year shall not exceed the total amount budgeted to be transferred from the Revenue Fund in such Fiscal Year as shown in the Annual Budget for such Fiscal Year, as amended. Any funds transferred from the Revenue Fund in accordance with this subsection (d), other than transfers made to any fund or account for the payment of the principal of, premium, if any, or interest on the Bonds (including the Debt Service Reserve Fund), shall no longer be subject to the pledge, charge and lien upon the Net Revenues created by this Bond Order.

Section 5.05. Application of Moneys in Debt Service Reserve Fund. Moneys held for the credit of the Debt Service Reserve Fund shall be used for the purpose of paying interest on the Bonds and maturing principal of Bonds whenever and to the extent that the moneys held in the Revenue Fund to pay debt service on the Bonds shall be insufficient for such purpose, and the District shall transfer funds from the Debt Service Reserve Fund to the Revenue Fund as necessary to make such payments. Any moneys so withdrawn from such Fund shall be restored from available moneys in the Revenue Fund, subject to the same conditions as are prescribed for deposits to the credit of such Fund under the provisions of Section 5.04 hereof. If at any time the moneys held for the credit of the Debt Service Reserve Fund shall exceed the requirement for such Fund under the provisions of clause (b) of Section 5.04 hereof, such excess may be transferred by the credit of the Revenue Fund.

Section 5.06. Unclaimed Moneys. All moneys which the District shall have withdrawn from the Revenue Fund or shall have received from any other source and set aside for the purpose of paying the principal of, premium, if any, or interest on the Bonds hereby secured, 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-18, and the District shall report and remit this property to the Escheat Fund according to the requirements of Article 3 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 District shall have no responsibility with respect to such moneys.

Section 5.07. Cancellation. All Bonds paid, redeemed or purchased either at or before maturity, shall, at the direction of the District, be delivered to the Bond Registrar or to the District when such payment, redemption or purchase is made and such Bonds shall thereupon be cancelled in the manner provided by applicable law. 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 District and the second executed certificate shall be retained by the Bond Registrar.

ARTICLE VI

SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

Section 6.01. Security for Deposits. All moneys deposited with the District or any other Depository designated by the Governing Body 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 District and the Holders of the Bonds, in such manner as may then be required 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 any fund or account established under this Bond Order or any Series Resolution, including the Revenue 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 the respective dates when the moneys held for the credit of such fund or account will be required for the purposes intended. 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 District 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 such fund or account. Neither the District nor any District Representative shall be liable or responsible for any loss resulting from any such investment in a Qualified 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 fair market value of such investment.

ARTICLE VII PARTICULAR COVENANTS

Section 7.01. Payment of Bonds and Observance of Covenants. The District 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 the Bonds and any premium required for the retirement of the 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 shall be secured solely by the Net Revenues, which are hereby pledged to the payment thereof in the manner and to the extent hereinabove particularly specified. Nothing in the Bonds or in this Bond Order shall be construed as pledging the faith and credit of the District to payment of the Bonds or as obligating the District, directly or indirectly or contingently, to levy or to pledge any form of ad valorem tax whatever therefor. The District 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 7.02. Construction of Project and System Improvements. The District covenants that it will forthwith diligently proceed to complete the Project and any System Improvements in accordance with plans and specifications therefor 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 District 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 a 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 law. The District 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 7.03. Operation and Maintenance of System. The District 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 System or cause the System 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 7.04. Rules, Regulations and Other Details. The District covenants that it shall establish and shall enforce reasonable rules and regulations governing the operation, use and services of the System and all other property and assets owned and operated by the District and that all compensations, salaries, fees and wages paid by the District in connection with the maintenance, repair and operation of the System shall be reasonable. The District 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 and all other property and assets owned and operated by the District.

Section 7.05. Payment of Lawful Charges. The District 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 District 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 7.06. Insurance and Reconstruction. The District covenants that it will obtain and maintain insurance, with reasonable terms, conditions, provisions and costs, which the District determines will afford adequate protection against such risks as are customarily insured against in connection with the operation of water systems of the type and size comparable to the System. All such insurance policies shall be carried in an insurance company or companies authorized and qualified under the laws of the State of North Carolina to assume the risks thereof.

The proceeds of all such insurance covering damage to or destruction of the System shall be deposited with the District and shall be available for and shall, to the extent necessary, be applied to the repair, replacement or reconstruction of the damaged or destroyed property, and shall be paid out in the manner determined by the District. If such proceeds shall be insufficient for

such purpose, the deficiency may be supplied out of any other available funds of the District in its sole discretion. The proceeds of all insurance covering loss of Revenues shall be deposited to the credit of the Revenue Fund.

Section 7.07. Annual Budget. The District 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 Governing Body 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 Governing Body 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 District 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 Annual Budget.

Section 7.08. Records, Books and Audits. The District covenants that it will keep each of the funds of the System separate from all other funds of the District 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 District shall cause its independent certified public accountant to prepare and deliver to the District within 180 days after the close of each Fiscal Year, beginning with the Fiscal Year ending June 30, 2016, an audit of the District's books and accounts. Reports of each such audit shall be filed with the Commission and, upon written request to the Finance Director, to each Bondholder and shall be made available for inspection at the office of the Finance Director. Included in each such audit report shall be a calculation of the rate covenant described in Section 5.02 for such Fiscal Year. Each such audit report shall be accompanied by an opinion of the independent certified public accountant stating that the examination of the financial statements was conducted in accordance with generally accepted auditing standards and stating whether such financial statements present fairly the financial position of the System and the results of its operations and a statement of cash flows for the period covered by such audit report in conformity with generally accepted accounting principles applied on a consistent basis. If for any reason beyond its control, the District is unable to obtain the foregoing opinion as to compliance with generally accepted accounting principles, the District shall be deemed to be in compliance with this Section if it is taking all reasonable and feasible action to obtain such opinion in subsequent Fiscal Years, and if, in lieu of a statement as to compliance and conformity, such opinion states the reasons for such noncompliance or non-conformity.

Section 7.09. Sale or Encumbrance. (a) The District covenants that it will not sell, lease or otherwise dispose of or encumber the System or any part thereof except as expressly permitted by this Section or as agreed to by one hundred percent (100%) of the Holders.

(b) The District 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 property, as the Governing Body may determine is obsolete or no longer needed for the proper 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 in the Revenue Fund or otherwise used to pay or redeem Bonds.

(c) The District may incur obligations secured by a lien on (a) rolling stock comprising a part of the System without limitation and (b) other property, plant and equipment comprising a part of the System; provided, however, that the principal amount of such obligations outstanding at any one time shall not exceed 20% of the net book value of the property, plant and equipment of the System (not taking into account any outstanding obligations with respect to rolling stock that is a part of the System) as shown on the audited financial statements of the District for the most recent Fiscal Year for which audited financial statements are available.

Section 7.10. Limitation on Liens. The District covenants that it will not create or permit to be created any charge or lien on the System or the Net Revenues ranking equally with or prior to the charge or lien on the Net Revenues of the Bonds issued and secured hereunder unless otherwise expressly permitted by this Bond Order or required by applicable law. The District shall discharge or cause to be discharged, or shall make adequate provision to satisfy and discharge, within sixty (60) days after the same become due and payable, all lawful costs, expenses, liabilities and charges relating to the maintenance, repair, replacement or improvement of the properties constituting the System and the operation of the System and lawful claims and demands for labor, materials, supplies or other objects that might by law become a lien upon the System or the Net Revenues if unpaid. Nothing contained in this Section shall require the District to pay or cause to be discharged, or make provision for the payment, satisfaction and discharge of, any lien, charge, cost, liability, claim or demand so long as the validity thereof is contested in good faith and by

appropriate legal proceedings. The District may issue Subordinated Indebtedness secured by a charge or lien on the System or Net Revenues that is expressly subordinate to any Bonds issued hereunder.

Section 7.11. Instruments of Further Assurance. The District 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 reasonably necessary or desirable for the better assuring, conveying, granting and confirming all and singular the rights, Net Revenues and other funds hereby pledged or intended so to be, or which the District 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 District further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the 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” hereunder:

(a) payment of the principal of or, premium, if any, on 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 on the Bonds shall not be made when the same shall become due and payable; or

(c) final judgment for the payment of money in excess of \$500,000 is rendered against the District as a result of its ownership, control or operation of the System, and any such judgment is not discharged within one hundred twenty (120) days from the entry thereof or an appeal is not taken therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, in such manner as to stay the execution of or levy under such judgment, order, decree or process or the enforcement thereof;

(d) the District (i) becomes insolvent or the subject of insolvency proceedings; or (ii) is unable, or admits in writing its inability, to pay its debts as they mature; or (iii) makes a general assignment for the benefit of creditors or to an agent authorized to liquidate any substantial amount of its property; or (iv) files a petition or other pleading seeking reorganization, composition, readjustment, or liquidation of assets, or requesting similar relief; or (v) applies to a court for the appointment of a receiver for it or for the whole or any part of the System; or (vi) has a receiver or liquidator appointed for it or for the whole or any part of the System (with or without the consent of the District) and such receiver is not discharged within ninety (90) consecutive days after his appointment; or (vii) becomes the subject of an “order for relief” within the meaning of the United States Bankruptcy Code; or (viii) files an answer to a creditor’s petition admitting the material allegations thereof for liquidation, reorganization, readjustment or composition or to effect a plan or other arrangement with creditors or fail to have such petition dismissed within sixty (60) consecutive days after the same is filed against the District;

(e) a court of competent jurisdiction assumes custody or control of the District or of the whole or any substantial part of its property under the provisions of any other law for the relief or aid of debtors, and such custody or control is not terminated within ninety (90) days from the date of assumption of such custody or control; and

(f) the District defaults in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds, this Bond Order or any Series Resolution, and such default continues for thirty (30) days after receipt by the District of a written notice from the Holders of not less than twenty-five percent (25%) of the aggregate principal amount of the Bonds then outstanding specifying such default and requesting that it be corrected; provided, however, that if prior to the expiration of such 30-day period the District institutes action reasonably designed to cure such default, no “event of default” shall be deemed to have occurred upon the expiration of such 30-day period for so long as the District pursues such curative action with reasonable diligence.

Section 8.02. Bonds Declared Due and Payable. Upon the happening and continuance of any event of default specified in Section 8.01, 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 District, 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 District hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with a Depository, 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 District, 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 held in the Revenue Fund, together with any moneys then available or thereafter becoming available for such purpose, after payment of all Operating Expenses then due and payable, shall be applied as provided in Section 11.02.

Section 8.03. Additional Remedies. Upon the happening and continuance of any event of default specified in Section 8.01, 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 District 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 as soon as practical, but in no event later than thirty (30) days, after the District shall have notice that any such event of default has occurred.

ARTICLE IX THE TRUSTEE

Section 9.01. Designation of Trustee. The District may at any time, with the approval of the Commission, appoint a Trustee to administer the provisions of this Bond Order and may adopt such supplements to this Bond Order in accordance with Section 9.01 as shall be necessary or desirable to effectuate such appointment.

Any Trustee appointed shall be capable of exercising trust powers in the State, which must be a bank or trust company with a combined capital (exclusive of borrowed capital) and surplus of at least \$100,000,000, and subject to supervision or examination by federal or state authority, so long as any Bonds are outstanding hereunder. If such bank or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this Section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

ARTICLE X SUPPLEMENTAL ORDERS

Section 10.01. Without Consent of Holders. The Governing Body may amend this Bond Order in any respect without the consent of any Holders of the Bonds prior to the delivery of the Initial Bonds.

The Governing Body may also, from time to time and at any time following delivery of the Initial Bonds, without the consent of any Holders of the 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) as shall be substantially consistent with the terms and provisions of this Bond Order and shall not 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 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 District in this Bond Order other covenants and agreements thereafter to be observed by the District or to surrender any right or power herein reserved to or conferred upon the District.

At least thirty (30) days prior to the adoption of any supplemental order for any of the purposes set forth in the clauses (a) through (d) in this Section, the Bond Registrar, at the expense of the District, shall cause a notice of the proposed adoption of such supplemental order to be mailed, postage prepaid, to the Holder 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. A failure on the part of the Bond Registrar to mail the notice required by this Section shall not affect the validity of such supplemental order.

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 Governing Body 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 or Net 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 Bond over any other Bond without the consent of the Holders of all Bonds 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 Holders of all Bonds outstanding.

Section 10.03. Obtaining Consent of Holders. If at any time the Governing Body 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 District, 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 District 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 Governing Body 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 Governing Body 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 District, 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 District 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 District and Bond Registrar as to such action. If the District 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 District and of the Holders of the Bonds may be modified or amended in any respect upon the adoption by the Governing Body of an order to that effect, approved by the Bond Registrar, and the filing with the Governing Body 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, when the Bonds secured hereby shall have become due and payable in accordance with their terms or shall have been duly called for redemption and the whole amount of the principal and the interest and premium, if any, so due and payable upon all of the Bonds then outstanding shall be paid, then and in that case the right, title and interest of the Holders of the Bonds secured hereby in the Net Revenues and funds mentioned in this Bond Order shall thereupon cease, terminate and become void, and the District, in such case, may apply any and all balances remaining in any funds or accounts to any lawful purpose of the District as the Governing Body shall determine; otherwise this Bond Order shall be, continue and remain in full force and effect.

Section 11.02. Payments When Funds are Insufficient. Anything in this Bond Order to the contrary notwithstanding, 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 (either by their terms or by acceleration of maturities), all moneys in the Revenue Fund, together with any moneys then available or thereafter becoming available for such purpose, after payment of all Operating Expenses then due and payable, shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become 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, 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 Bonds;

second: to the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds 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 Bonds from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or preference; and

third: to the payment of the interest on and the principal of the Bonds, to the purchase and retirement of Bonds and to the redemption of Bonds, all in accordance with the provisions of Article IV.

(b) If the principal of all the Bonds 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 upon the Bonds 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 Bonds.

(c) If the principal of all of the Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled, then the moneys then remaining in and thereafter accruing to the Revenue Fund shall be applied in accordance with the provisions of paragraph (a) of this Section.

Section 11.03. Effect of District'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 District 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, Council, 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 District 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 Governing Body shall determine to be in the best interests of the District and of the Holders of Bonds issued pursuant to the provisions of this Bond Order.

Section 11.04. Notices. Any notice, demand, direction, request or other instrument authorized or required by this Bond Order to be given to or filed with the District 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 or certified mail, return receipt requested, to the District or the Bond Registrar if addressed to Hertford Northern Rural Water District at c/o Hertford County, North Carolina, 115 Justice Drive, Suite 1, Winton, North Carolina 27986, Attention: County Manager; and to the Commission, if addressed to the Secretary, Local Government Commission, 3200 Atlantic Avenue, Longleaf Building, Raleigh, North Carolina 27604.

Section 11.05. 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 maintained for the bonds.

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 11.06. 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 District, 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 11.07. 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 District for their payment, or to create any debt against the District except as payable from Net Revenues, or as conveying or mortgaging the System or any part thereof. No Holder of Bonds has the right to compel the exercise of the taxing power of the District or the forfeiture of any of its property, other than Net Revenues, in connection with any default hereunder.

Section 11.08. No Recourse Against Members, Officers or Employees of the District 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 District 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 District or the Commission, either directly or through the District for the payment for or to, the District 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 District 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 11.09. 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 invalid, such illegality or invalidity shall not affect any other provision of this Bond Order or of the Bonds, but this Bond Order and the 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 District to the full extent permitted by law.

Section 11.10. Issuance of Subordinate Obligations and Expenditures for System Improvements. Nothing in this Bond Order express or implied shall be construed as preventing the District from financing System Improvements (or acquisition or improvement of assets of the District other than the System) 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 District solely for such purpose. Any Subordinate Indebtedness shall include a provision prohibiting acceleration thereof while any Bonds are Outstanding hereunder.

Section 11.11. Applicable Law. This Bond Order is adopted with the intent that the laws of the State of North Carolina shall govern its construction.

Section 11.12. 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 11.13. Officers' Authority. The officers and agents of the District 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 11.14. 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 11.15. Effective Date. This Bond Order shall be effective immediately upon its adoption.

Adopted this the ____ day of March, 2019.

HERTFORD COUNTY BOARD OF COMMISSIONERS

The Honorable Ronald J. Gatling, Chairman

ATTEST:

Dr. Renee Fleetwood, Clerk to the Board

REQUEST APPROVAL OF RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF WATER SYSTEM REVENUE BONDS, SERIES 2020 IN THE AGGREGATE PRINCIPAL AMOUNT OF \$936,000

On a motion by Com. Mitchell and second by Com. Lassiter the Board unanimously approved the Resolution Authorizing the Issuance and Sale of Water System Revenue Bonds, Series 2020 In the Aggregate Principal Amount Of \$936,000.



HERTFORD
C O U N T Y
North Carolina

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF WATER SYSTEM REVENUE BONDS, SERIES 2020 OF THE HERTFORD NORTHERN RURAL WATER DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF \$936,000

WHEREAS, the Board of Commissioners (the “Board of Commissioners”) of the County of Hertford, North Carolina (the “County”), acting as the Board of Commissioners of the Hertford Northern Rural Water District (the “District”), is authorized by Article 6 of Chapter 162A and Article 5 of Chapter 159 of the North Carolina General Statutes, as amended (collectively, the “Act”) to issue revenue bonds and notes; and

WHEREAS, on March 2, 2020, the Board of Commissioners for the District adopted a bond order (the “Bond Order”) entitled:

“BOND ORDER OF THE HERTFORD NORTHERN RURAL WATER DISTRICT AUTHORIZING THE ISSUANCE OF WATER SYSTEM REVENUE BONDS TO PROVIDE FUNDS TO CONSTRUCT IMPROVEMENTS TO ITS WATER SYSTEM; PROVIDING FOR THE ISSUANCE OF ADDITIONAL REVENUE BONDS FOR VARIOUS PURPOSES; PROVIDING FOR THE ISSUANCE OF REVENUE BOND ANTICIPATION NOTES IN ANTICIPATION OF THE ISSUANCE OF REVENUE BONDS; 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 WATER SYSTEM; SETTING FORTH THE RIGHTS AND REMEDIES OF HOLDERS; AND SETTING FORTH THE DETAILS OF CERTAIN RELATED MATTERS”; and

WHEREAS the District previously borrowed funds from the Hertford County Southern Rural Water District (the “Southern Rural Water District”), which the District used to pay for certain capital improvements to the water system located in the District (collectively, the “Project”); and

WHEREAS, the District is considering the issuance of not to exceed \$936,000 in aggregate principal amount of the District’s Water System Revenue Bonds (the “Bonds”) to refinance the Project and repay the Southern Rural Water District; and

WHEREAS, the Board of Commissioners desires to provide for the issuance of \$936,000 Water System Revenue Bonds, Series 2020 to refinance the Project;

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the County, acting as the governing body of the District, as follows:

1. The Board of Commissioners has determined and does hereby find and declare as follows:

(a) A Bond Order Authorizing Water System Revenue Bonds of the District in the amount of up to \$936,000 was adopted by the Board of Commissioners on March 2, 2020, and none of the Bonds has been issued.

(b) It is necessary to issue \$936,000 in aggregate principal amount of the Water System Revenue Bonds, Series 2020 (the “2020 Bonds”) at this time, all of the proceeds thereof, together with other moneys of the District, to be applied to the refinancing of the Project by repaying the loan from the Southern Rural Water District.

(c) The maximum period of usefulness of the water system improvements to be provided with the proceeds of the 2020 Bonds authorized hereby is estimated as a period of forty (40) years from March 18, 2020, the anticipated date of issuance of the 2020 Bonds, and such period expires on March 18, 2060.

2. Pursuant to the Bond Order, there shall be issued water system revenue bonds in the aggregate principal amount not to exceed \$936,000. The 2020 Bonds shall be executed in the name of the District by the manual or facsimile signatures of the Chairman of the Board and the Clerk, and the Finance Director shall authenticate the 2020 Bond Registrar. Such bonds shall be issued as two bonds, one in the denomination of \$811,000, numbered R-1 (the “R-1 Bond”), and one in the denomination of \$125,000, numbered R-2 (the “R-2 Bond”) and both designated “Water System Revenue Bond, Series 2020” and dated as of the date of delivery thereof. The R-1 Bond shall mature 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
2021	\$14,000	2041	\$21,000
2022	14,000	2042	22,000
2023	14,000	2043	22,000
2024	14,000	2044	23,000
2025	14,000	2045	23,000
2026	15,000	2046	24,000
2027	15,000	2047	24,000
2028	15,000	2048	25,000
2029	16,000	2049	25,000
2030	16,000	2050	26,000
2031	17,000	2051	26,000
2032	17,000	2052	27,000
2033	17,000	2053	28,000
2034	18,000	2054	28,000
2035	18,000	2055	29,000
2036	18,000	2056	29,000
2037	19,000	2057	30,000
2038	19,000	2058	28,000
2039	20,000	2059	21,000
2040	20,000		

The R-1 Bond will bear interest on the unpaid part of such principal at a rate of 2.25% per annum until payment thereof, such interest to be payable on June 1, 2020, and annually thereafter on the first day of June of each year until paid.

The R-2 Bond shall mature 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
2021	\$2,000	2041	\$3,000
2022	2,000	2042	3,000
2023	2,000	2043	3,000
2024	2,000	2044	3,000
2025	2,000	2045	3,000
2026	2,000	2046	3,000
2027	2,000	2047	4,000
2028	2,000	2048	4,000
2029	2,000	2049	4,000
2030	2,000	2050	4,000
2031	3,000	2051	4,000
2032	3,000	2052	4,000
2033	3,000	2053	4,000
2034	3,000	2054	4,000
2035	3,000	2055	5,000
2036	3,000	2056	5,000
2037	3,000	2057	5,000
2038	3,000	2058	5,000
2039	3,000	2059	5,000
2040	3,000		

The R-2 Bond will bear interest on the unpaid part of such principal at a rate of 2.25% per annum until payment thereof, such interest to be payable on June 1, 2020, and annually thereafter on the first day of June of each year until paid.

The 2020 Bonds shall be sold to the United States of America, acting by and through the United States Department of Agriculture, Rural Development (formerly Farmers Home Administration) ("USDA") by private sale in accordance with Sections 9 and 10 hereof. The 2020 Bonds shall not be defeased without written consent of USDA during such time as USDA shall remain the registered owner of the 2020 Bonds.

Each 2020 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, the 2020 Bonds shall bear interest from the date to which interest has been paid.

The principal of and the interest and any redemption premium on the 2020 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.

Payment of interest on the 2020 Bonds shall be made by the Bond Registrar (hereinafter defined) 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 2020 Bonds (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. During the time that USDA is the registered owner of the 2020 Bonds, payment of the installments of principal and interest when due and payable on the 2020 Bonds shall be made at the office of such fiscal agent as USDA shall designate without presentation or surrender thereof and, during any such time as an assignee thereof is the registered owner of the 2020 Bonds, payment of the installments of principal when due and payable on the 2020 Bonds shall be made at the corporate trust office of U.S. Bank, National Association, Raleigh, North Carolina, as trustee, upon the presentation and surrender thereof, and payment of the interest when due and payable on the 2020 Bonds shall be made by check mailed to such assignee at its address as it appears on the bond registration books of the District hereinafter mentioned without the presentation or surrender thereof.

3. As long as USDA is the registered owner of the 2020 Bonds, the 2020 Bonds may be redeemed, at the option of the District, at any time prior to 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 moneys 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. During any time as any owner other than USDA is the owner of the 2020 Bond, the principal installments of the 2020 Bonds maturing on or after June 1, 2030, may be redeemed in whole or in part on any date on or after June 1, 2029, from any moneys 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.

In case of a redemption of all or any part of the 2020 Bonds, a notice of redemption shall be sent by registered mail, mailed at least forty (40) days prior to the date fixed for redemption, addressed (a) during the time that USDA is the owner of the 2020 Bonds, to the Finance Office, Rural Development, United States Department of Agriculture, 1530 Market Street, St. Louis, Missouri, 63103, or to such other address as USDA may designate by registered or certified mail forwarded to the District at least fifty (50) days prior to any redemption date, and (b) during any time as any owner other than USDA is the owner of the 2020 Bonds, to the address as it appears on the registration books 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 2020 Bonds or part 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 2020 Bonds or part thereof to be redeemed plus accrued interest thereon to the date fixed for redemption are held at such place as USDA may designate (or, if the 2020 Bonds shall have been assigned by USDA, at the corporate trust office of U. S. Bank National Association, Raleigh, North Carolina pursuant to Section 2 hereof) in trust for such purpose, interest on the 2020 Bonds or part thereof called for redemption shall cease to accrue, such 2020 Bonds or part 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 2020 Bonds or part 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.

In the event that an installment of principal of the 2020 Bonds shall be redeemed, the Bond Registrar shall direct the registered owner thereof to evidence such redemption by appropriate notation on the schedule attached to such 2020 Bonds for such purpose.

4. The Series 2020 Special Reserve Account is hereby established as an account within the Debt Service Reserve Fund created under the Bond Order. The 2020 Bonds shall be secured by the Series 2020 Special Reserve Account in accordance with the terms and provisions of the Bond Order and this Series Resolution. The Series 2020 Special Reserve Account is hereby pledged to the registered owner of the 2020 Bonds.

The District shall, subject to the provisions of Section 5.04 of the Bond Order, on or before the 30th day of June of each year, commencing on June 30, 2020, deposit or cause to be deposited, from Net Revenues held in the Revenue Fund, to the credit of the Series 2020 Special Reserve Account, until the amount on deposit therein is equal to the Series 2020 Debt Service Reserve Requirement, an amount equal to 1/10th of the Series 2020 Debt Service Reserve Requirement; provided, however, that if the amount so deposited in any year to the credit of the Series 2020 Special Reserve Account mentioned in this section shall be less than the required amount, the requirement therefor shall nevertheless be cumulative and the amount of any deficiency in any year shall be added to the amount otherwise required to be deposited to the credit of such account in each year thereafter until such time as such deficiency shall be made up.

For the purposes of this Series Resolution, "Series 2020 Debt Service Reserve Requirement" means the average annual installment of principal and interest for the 2020 Bonds, which is \$24,000.

5. The 2020 Bonds, upon 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 shall be 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 bond then unpaid, issuable in fully registered form in the denomination of \$1,000 or any integral multiple thereof and bearing interest at the same rate.

The transfer of the 2020 Bonds may be registered by the registered owner thereof only upon an execution of an assignment thereof duly executed by such registered owner or his attorney or legal representative. Notice of such assignment shall be given promptly by the assignor to the Bond Registrar by registered mail, such notice to be in such form as shall be satisfactory to the Bond Registrar, and upon receipt of such notice, such 2020 Bonds shall be registered as to both principal and interest on such registration books in the name of the assignee named in such notice.

The transfer of any bond issued in exchange for the 2020 Bonds as provided above may be registered only upon the registration books of the District 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 the 2020 Bonds shall be exchanged or the transfer of bonds shall be 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. All bonds surrendered in any such exchange or registration of transfer shall forthwith be canceled by the Bond Registrar. The Bond Registrar shall not be required to make any such exchange or registration of transfer of (a) 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 (b) any bond called for redemption in whole or in part pursuant to Section 3 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, 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 2020 Bonds. The Finance Director of the County is hereby appointed the registrar, transfer agent and paying agent (the "Bond Registrar") for the 2020 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 2020 Bonds as provided in this resolution; provided, however, that, in the event that the bond registered in the name of USDA is assigned, the paying agent with respect to such bond shall be U.S. Bank National Association, Raleigh, North Carolina.

6. The 2020 Bonds shall bear the manual or facsimile signatures of the Chairman of the Board of Commissioners, the County Finance Director or the Clerk of the Board of Commissioners, or any of them, and the official seal or a facsimile of the official seal of the District shall be impressed or imprinted, as the case may be, on the 2020 Bonds.

The certificate of the Local Government Commission of North Carolina to be endorsed on the 2020 Bonds shall bear the manual or facsimile signature of the Secretary of the Commission, and the certificate of authentication of the Bond Registrar to be endorsed on the bonds 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 the 2020 Bonds shall cease to be such officer before the delivery of such 2020 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 the 2020 Bonds may bear the manual or facsimile signatures of such persons as at the actual time of the execution of such 2020 Bonds shall be the proper officers to sign such 2020 Bonds although at the date of such bond such persons may not have been such officers.

7. 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 manually authenticated by the execution by the Bond Registrar of the certificate of authentication endorsed thereon.

8. The 2020 Bonds and the endorsements thereon shall be in the form attached hereto as Exhibit A.

9. 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 (the "Code"), and any Treasury regulations now or hereafter promulgated thereunder, to the extent necessary so that interest on the 2020 Bonds will not be included in gross income of the owners of the 2020 Bonds for purposes of federal income tax.

10. The Local Government Commission of North Carolina is hereby requested to sell the 2020 Bonds at private sale pursuant to G.S. 159-123 to USDA, subject to the approval of the Board of Commissioners; provided, however, that the aggregate purchase price of the 2020 Bonds is \$936,000, and that the maximum interest rate on either of the 2020 Bonds does not exceed 2.25% per annum.

11. Any of the Chairman of the Board of Commissioners, the County Manager or the County Finance Director is hereby authorized to approve the purchase price of the 2020 Bonds, the rates of interest on the 2020 Bonds, and the payment schedules for the 2020 Bonds in connection with the private sale of the 2020 Bonds, subject to the provisions of Section 10 of this resolution.

12. Each of the Chairman of the Board of Commissioners, the County Manager, the County Finance Director and the Clerk for the Board of Commissioners, and other appropriate officers of the County or the District, is hereby authorized and directed to execute and deliver any and all papers, instruments, agreements, tax certificates, opinions, certificates, affidavits and other documents, and to do or cause to be done any and all other acts and things necessary or proper for carrying out this resolution and the issuance of the 2020 Bonds.

13. This resolution shall take effect upon its passage.

Signed, this the 9th day of March, 2019.

HERTFORD COUNTY BOARD OF COMMISSIONERS

Honorable Ronald J. Gatling, Chairman

SEAL

ATTEST

Dr. Renee Fleetwood, Clerk to the Board

On a motion by Com. Mitchell and second by Com. Lassiter the Board unanimously Adjourned the meeting as the Board of the Northern/Southern Rural Water System and returned to Regular Session.

**REQUEST APPROVAL OF AMENDMENT TO HERTFORD COUNTY BUDGET
ORDINANCE FISCAL YEAR 2019-2020 AMENDMENT #13**

On a motion by Com. Mitchell and second by Com. Lassiter the Board unanimously approved the Amendment to Hertford County Budget Ordinance Fiscal Year 2019-2020 Amendment #13 to budget additional funding for Low Income Energy Assistance, Vidant S.P.I.C.E. Grant, earmarked funds for the Sheriff's Office, and Tap on Fees for the Southern Water District.

AMENDMENT TO HERTFORD COUNTY BUDGET ORDINANCE FISCAL YEAR 2019-2020

BE IT ORDAINED by the Governing Board of the County of Hertford, North Carolina, that the following amendment be made to the annual budget ordinance for the fiscal year ending June 30, 2020:

REVENUE:

Department	Account Number	Account Description	Amount Increase	Amount Decrease
Restricted Ingov-DSS	100063-418701	Low Income Home Energy	\$4,829.00	
Restricted Ingov-Aging	100061-417700	Vidant Foundation Spice Grant	2,000.00	
Sheriff	100080-527000	Earmarked Funds Sheriff	5,000.00	
Southern Water	660119-440100	Southern Tap On Fees	\$6,162.00	
Total Changes in Revenue			\$17,991.00	\$ -

Net Change in Revenue	\$17,991.00
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EXPENDITURE:

Department	Account Number	Account Description	Amount Increase	Amount Decrease
DSS	104440-563001	Low Income Energy Assistance	\$ 4,829.00	
Aging	104390-569300	Vidant Spice Grant	\$ 2,000.00	
Sheriff	104180-527000	Earmarked Funds Sheriff	\$ 5,000.00	
Southern Water	664710-569000	Southern Contracted Services	\$ 6,162.00	
Total Changes in Expenditures			\$ 17,991.00	

Net Change in Expenditures \$	17,991.00
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Explanation:

Inty  z.lq 7r5Z
Date

Amendment #
Approved:
Posted: 13

On a motion by Com. Mitchell and a second by Com. Lassiter, the Board unanimously approved to move to Closed Session as allowed under G.S. 143-318.11 (a) (3) to consult with the County Attorney.

Minutes of Closed Session are on file in the Office of the Clerk to the Board.

On a motion by Com. Mitchell and second by Com. Lassiter, the Board unanimously approved to return to Regular Session.

On a motion by Com. Mitchell and second by Com. Lassiter, the Board unanimously approved to adjourn the meeting.

Com. Ronald J. Gatling
Chairman

Dr. Renee Fleetwood
Clerk to the Board