

*Scotland County Board of Commissioners
Sitting as Governing Body of WDII
July 28, 2003, 431 E. Cronly St., Laurinburg*

MINUTES
Scotland County Board of Commissioners
Sitting as the Governing Body of Scotland County Water District II
Special Meeting, July 28, 2003
Scotland County Annex, 431 East Cronly Street, Laurinburg NC

At 4:00 p.m, Chairman David L. Burns called the meeting to order. Commissioners in attendance: Chairman Burns, Betty Blue Gholston, Clint Willis and J. D. Willis. Commissioners not in attendance: Vice Chair Nancy J. Shelley, Charles "Scoofer" Jordan, and Sam Snowdon. Staff in attendance: Jim Blackwell, County Engineer, County Attorney Ed Johnston and Anne G. Tindall, recorder.

Mr. Blackwell explained that upon advice of Bond Counsel a special meeting was required to be held today in order to expedite required paperwork for selling bonds. He also explained that the Federal Government required that each resolution for sale of bonds be approved separately.

RESOLUTION
SCOTLAND COUNTY WATER DISTRICT II
FOR NEGOTIATED SALE OF
WATER BOND, SERIES 2003A

WHEREAS, the bond order hereinafter described has taken effect and the Board of Commissioners of the County of Scotland (the "Board"), sitting as the governing body of Scotland County Water District II (the "Issuer"), desires to make provision for the issuance of a \$1,183,000 portion of the bonds authorized by said bond order; and

WHEREAS, the Board of the Issuer desires to sell the bonds at private sale without advertisement at a rate of interest not exceeding 4.25% per annum; and

WHEREAS, the Board of the Issuer has been informed of United States of America's undertaking to purchase said bonds at the rate of 4.25% per annum, **NOW THEREFORE**,

BE IT RESOLVED by the Board of Commissioners of the County of Scotland, sitting as the governing body of the Issuer, as follows:

(1) The Issuer shall issue its bonds of the aggregate principal amount of \$1,183,000 pursuant to and in accordance with the water bond order adopted by the Board of the Issuer on March 8, 1999. The bonds shall be designated "Water Bond, Series 2003A", and referred to herein as the "Bonds." The period of usefulness of the capital project to be financed by the issuance of the Bonds is a period of forty years computed from the date of the Bonds.

(2) The Bonds shall be payable in annual installments on June 1 as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2006	\$ 13,000	2018	\$ 22,000	2031	\$ 38,000
2007	14,000	2019	23,000	2032	39,000
2008	14,000	2020	24,000	2033	41,000
2009	15,000	2021	25,000	2034	43,000
2010	16,000	2022	26,000	2035	45,000
2011	16,000	2023	27,000	2036	46,000
2012	17,000	2024	28,000	2037	48,000
2013	18,000	2025	29,000	2038	50,000
2014	19,000	2026	31,000	2039	52,000
2015	19,000	2027	32,000	2040	52,000
2016	20,000	2028	33,000	2041	52,000
2017	21,000	2029	35,000	2042	52,000
		2030	36,000	2043	52,000

(3) The Bonds shall be dated August 1, 2003 (unless awarded to the United States of America acting by and through Rural Utilities Service, an agency of the United States Department of Agriculture, in which case the Bonds shall be dated as of the date of delivery thereof), and shall bear interest from their date until they shall mature at a rate which shall not exceed 4.25% per annum. Such interest shall be payable on December 1, 2003 and semi-annually thereafter on June 1 and December 1 in each year; provided, however, that if the Bonds shall be purchased by the United States of America, the interest on such Bonds to the maturity thereof shall be payable on June 1, 2004 and annually thereafter on the 1st day of June of each year.

(4) The Bonds shall be issued as fully registered bonds without coupons in the denomination of \$1,000 each or any integral multiple thereof and numbered in accordance with the system of the hereinafter designated bond registrar (the "Multiple Bonds"), or, at the option of the purchaser, as a single fully registered bond without coupons in the denomination of \$1,183,000 (the "Single Bond") payable in installments. If issued as Multiple Bonds, the Bonds shall bear the facsimile signatures of the Chairman of the governing body of the Issuer and the Clerk of the Issuer and a facsimile of the corporate seal of the Issuer and the Certificate of Approval of the Local Government Commission shall bear a facsimile signature of the Secretary of said Commission. If issued as a Single Bond, the Bond shall be signed by the Chairman of the governing body of the Issuer and the Clerk of the Issuer, the corporate seal of the Issuer shall be impressed thereon and the Certificate of Approval of the Local Government Commission shall be signed by a designated assistant of said Commission.

(5) Within ninety days after the receipt by the Issuer of the written request of the registered owner of the Single Bond, the Issuer will, at its own expense, prepare and execute Multiple Bonds in the form hereinafter set forth, of type, composition and printed on paper of

customary weight and strength, in an aggregate principal amount equal to the unpaid principal amount of the Single Bond, and having maturities corresponding to the principal installments of the Single Bond then unpaid; and the Issuer will cause the Multiple Bonds to be presented to the transfer agent to be designated by the Issuer (the "Transfer Agent" for endorsement and for dating the authentication blank thereon and for delivery to the registered owner of the Single Bond upon surrender and cancellation of the Single Bond.

(6) Except as in the next succeeding paragraph provided, interest on the Bonds shall be paid by check by the Issuer or a paying agent to be designated by the Issuer (the "Paying Agent"), and mailed to the registered owner of record as of 15 days prior to the interest payment date at his address as it appears on the bond registry books of the Transfer Agent, and principal of the Bonds shall be paid by check by the Paying Agent upon presentation of the Bonds for payment.

The Single Bond purchased by the United States of America shall be payable by the Issuer in installments of principal and interest without presentation.

(7) So long as the Bonds are held or insured by the United States of America, whether as a Single Bond or as Multiple Bonds, the principal thereon may be prepaid without premium at any time in whole or in part in inverse order of maturity.

(8) The Bonds not held or insured by the United States of America and maturing on and after June 1, 2014 shall be subject to redemption prior to their stated maturities at the option of the Issuer, in whole or in part (in multiples of \$1,000 of principal amount) on any date not earlier than June 1, 2013 at a redemption price equip to the principal amount of each bond to be redeemed together with accrued interest thereon to the redemption date, provided the redemption price for bonds redeemed during the period June 1, 2013 to May 31, 2014, inclusive, shall include a premium of 2% of the principal amount to be redeemed and the redemption price for bonds redeemed during the period June 1, 2014 to May 31, 2015, inclusive shall include a premium of 1% of the principal amount to be redeemed. If less than all of the Bonds of any maturity are called for redemption, the Bonds to be redeemed shall be selected by the Issuer in such manner as it may determine.

If less than all of the principal amount of a Bond is to be redeemed, the Issuer shall exchange a bond of the denomination representing the portion of which is to be redeemed. Whenever the Issuer shall elect to redeem Bonds, notice of such redemption of Bonds, stating the redemption date, redemption price and identifying the Bonds or portions thereof to be redeemed by reference to their numbers and further stating that on such redemption date there shall become due and payable upon each bond or portion thereof so to be redeemed, the principal thereof, redemption premium and interest accrued to the redemption date, shall be given not less than 30 days nor more than 45 days prior to the redemption date in writing to the registered owners, by pre-paid first-class mail, at their addresses as such addresses appear on the records of the Transfer Agent, as bond registrar, but any failure in respect of such mailing will not affect the validity of the redemption.

(9) The Bonds are transferable by the registered owner thereof or his duly authorized attorney at the principal office of the Transfer Agent or the Issuer, as appropriate, upon surrender of the Bonds, accompanied by a duly executed instrument of transfer in form and with guaranty of signature satisfactory to the Transfer Agent or the Issuer, as appropriate, and upon payment of any taxes or other governmental charges incident to such transfer. Upon any such transfer a new registered bond without coupons of the same maturity and in the same aggregate principal amount will be issued to the transferee. The person in whose name the Bond is registered shall be deemed the owner thereof for all purposes, and the Issuer, the Paying Agent and the Transfer Agent shall not be affected by any notice to the contrary.

The Bonds are exchangeable at the sole expense of the Issuer at any time, upon ninety days' notice, at the request of the registered owner thereof and upon surrender of the Bonds to the Transfer Agent or the Issuer, as appropriate, 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 Transfer Agent or the Issuer, as appropriate, for fully registered Bonds in the denomination of \$1,000 each or any integral multiple thereof, in an aggregate principal amount equal to the unpaid principal amount of the Bonds and in the form of such fully registered multiple Bonds as is provided for in this resolution authorizing the issuance of the Bonds.

(10) The Multiple Bonds and the provisions for the registration thereof, for the approval of the Multiple Bonds by the Secretary of the Local Government Commission, and for authentication of the Multiple Bonds by the Transfer Agent shall be in substantially the following form:

(Form of Multiple Bonds)

No. R- _____

**UNITED STATES OF AMERICA
STATE OF NORTH CAROLINA**

SCOTLAND COUNTY WATER DISTRICT II

WATER BOND, SERIES 2003A

INTEREST RATE	MATURITY DATE	DATE OF ORIGINAL ISSUE
	June 1, _____	August 1, 2003

REGISTERED OWNER:

PRINCIPAL SUM:

DOLLARS

Scotland County Water District II (hereinafter referred to as the "District"), a county water and sewer district in the State of North Carolina, acknowledges itself indebted and

for value received hereby promises to pay to the registered owner named above on the maturity date specified above, upon the surrender hereof, the principal sum shown above, and to pay to the registered owner hereof interest thereon from the date of this bond [or from the June 1 or December 1 next preceding the date of authentication to which such interest shall have been paid, unless such date of authentication is a June 1 or December 1 to which interest shall have been paid, in which case from such date] until it shall mature at the rate per annum as specified above, payable on December 1, 2003 and semi-annually thereafter on June 1 and December 1 of each year. Principal of this bond is payable by check by First-Citizens Bank & Trust Company, in Raleigh, North Carolina, as paying agent, or by the duly appointed alternate or successor paying agent (the "Paying Agent"), in such coin or currency of the United States of America as at the time of payment shall be legal tender for payment of public and private debts. Interest on this bond is payable by check by the Paying Agent mailed to the registered owner hereof at his address as it appears on the bond registry books of First-Citizens Bank & Trust Company, in Raleigh, North Carolina, as transfer agent (the "Transfer Agent"), at the close of business on the fifteenth day of the calendar month (whether or not a business day) next preceding each interest payment date, in such coin or currency of the United States of America as at the time of payment shall be legal tender for payment of public and private debts.

This bond is transferable by the registered owner hereof or his duly authorized attorney at the principal office of the Transfer Agent, upon surrender of this bond, accompanied by a duly executed instrument of transfer in form and with guaranty of signature satisfactory to the Transfer Agent, and upon payment of any taxes or other governmental charges incident to such transfer. Upon any such transfer a new registered bond without coupons of the same maturity and in the same aggregate principal amount will be issued to the transferee. The person in whose name this bond is registered shall be deemed the owner hereof for all purposes, and the District, the Paying Agent and the Transfer Agent shall not be affected by any notice to the contrary.

This bond is exchangeable at the sole expense of the District at any time, upon ninety days' notice, at the request of the registered owner hereof and upon surrender of this bond to the Transfer Agent 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 Transfer Agent, for fully registered bonds in the denomination of \$1,000 each or any integral multiple thereof, in an aggregate principal amount equal to the unpaid principal amount of this bond and in the form of such fully registered multiple bonds as is provided for in the resolution authorizing the issuance of this bond.

This bond is issued in accordance with the Registered Public Obligations Act, Chapter 159E of the General Statutes of North Carolina, and pursuant to The Local Government Finance Act, Chapter 159 of said General Statutes, and a bond order adopted by the Board of Commissioners of the County of Scotland, sitting as the governing body of the District, on March 8, 1999 to pay capital costs of providing water facilities for the District. The issuance of this bond and the contracting of the indebtedness evidenced thereby were approved by a majority of the qualified voters of the District voting at an election held on April 20, 1999.

The bonds not held or insured by the United States of America and maturing on and after June 1, 2014 shall be subject to redemption prior to their stated maturities at the option of the District, in whole or in part (in multiples of \$1,000 of principal amount) on any date not earlier than June 1, 2013, at a redemption price equal to the principal amount of each bond to be redeemed together with accrued interest thereon to the redemption date, provided the redemption price for bonds redeemed during the period June 1, 2013 to May 31, 2014, inclusive, shall include a premium of 2% of the principal amount to be redeemed and the redemption price for bonds redeemed during the period June 1, 2014 to May 31, 2015, inclusive, shall include a premium of 1% of the principal amount to be redeemed. If less than all of the bonds of any maturity are called for redemption, the bonds to be redeemed shall be selected by the District in such manner as it may determine. If less than all of the principal amount of a bond is to be redeemed the District shall exchange a bond of the denomination representing the portion of the bond not redeemed to the registered owner in exchange for the bond, a portion of which is to be redeemed. Whenever the District shall elect to redeem bonds, notice of such redemption of bonds, stating the redemption date, redemption price and identifying the bonds or portions thereof to be redeemed by reference to their numbers and further stating that on such redemption date there shall become due and payable upon each bond or portion thereof so to be redeemed, the principal thereof, redemption premium and interest accrued to the redemption date, shall be given not less than 30 days nor more than 45 days prior to the redemption date in writing to the registered owners, by pre-paid first-class mail, at their addresses as such addresses appear on the records of the Transfer Agent, but any failure in respect of such mailing will not affect the validity of the redemption. So long as this bond is held or insured by the United States of America, the principal thereof may be prepaid without premium at any time in whole or in part in inverse order of maturity.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of North Carolina to exist, be performed or happen precedent to or in the issuance of this bond, exist, have been performed and have happened, and that the amount of this bond, together with all other indebtedness of the District, is within every debt and other limitation prescribed by said Constitution or statutes. The faith and credit of the District are hereby pledged to the punctual payment of the principal of and interest on this bond in accordance with its terms.

This bond shall not be valid or become obligatory for any purpose until the certifications hereon shall have been signed by authorized representatives of the Local Government Commission of North Carolina and the Transfer Agent.

IN WITNESS WHEREOF, THE District has caused this bond to bear the facsimile signatures of the Chairman of the governing body of the District and Clerk of the District and a facsimile of the corporate seal of the District to be imprinted hereon, and this bond to be dated August 1, 2003.

(facsimile signature)

Chairman, governing body of
Scotland County Water District II

(DISTRICT)

(SEAL)

_____ (facsimile signature)

Clerk, Scotland County Water District II

Transfer Agent's Certificate of Authentication

This bond is one of the bonds of the issue designated herein and issued under the within-mentioned bond order.

FIRST-CITIZENS BANK & TRUST COMPANY

By: _____

Authorized Signatory

Date of Authentication _____

CERTIFICATE OF LOCAL GOVERNMENT COMMISSION

The issue hereof has been approved under the provisions of The Local Government Bond Act.

_____ (facsimile signature)

Secretary of the Local Government Commission

ASSIGNMENT

For value received the undersigned registered owner thereof hereby sells, assigns, and transfers unto _____ the within bond and all rights thereunder and hereby irrevocably constitutes and appoints _____ attorney to register the transfer of said bond on the books kept for registration thereof, with full power of substitution in the premises.

Signature Guaranteed:

Dated: _____

Notice: Signature guarantee must be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program (STAMP) or in such other guarantee program in accordance with Securities and Exchange Commission Rule 17 Ad-15

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

(11) The Single Bond, the provisions for assignment thereof and for approval thereof by the Secretary of the Local Government Commission to be endorsed thereon shall be in substantially the following form:

**UNITED STATES OF AMERICA
STATE OF NORTH CAROLINA**

SCOTLAND COUNTY WATER DISTRICT II

WATER BOND, SERIES 2003A

No. R- _____

\$1,183,000

Scotland County Water District II (hereinafter called the “District”), a county water and sewer district in the State of North Carolina, acknowledges itself indebted and for value received, hereby promises to pay to [UNITED STATES OF AMERICA, ACTING BY AND THROUGH RURAL UTILITIES SERVICE, AN AGENCY OF THE UNITED STATES DEPARTMENT OF AGRICULTURE], or its registered assigns, the principal sum of \$1,183,000 on the first day of June in years and installments, as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2006	\$ 13,000	2018	\$ 22,000	2031	\$ 38,000
2007	14,000	2019	23,000	2032	39,000
2008	14,000	2020	24,000	2033	41,000
2009	15,000	2021	25,000	2034	43,000
2010	16,000	2022	26,000	2035	45,000
2011	16,000	2023	27,000	2036	46,000
2012	17,000	2024	28,000	2037	48,000
2013	18,000	2025	29,000	2038	50,000
2014	19,000	2026	31,000	2039	52,000
2015	19,000	2027	32,000	2040	52,000
2016	20,000	2028	33,000	2041	52,000
2017	21,000	2029	35,000	2042	52,000
		2030	36,000	2043	52,000

in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, and to pay interest on the balance of said principal sum from time to time remaining unpaid, in like coin or currency, at the rate of four and twenty-five hundredths per centum (4.25%) per annum on June 1, 2004 and annually thereafter on June 1 of each year, until the principal amount hereof has been paid.

Payments of the installments of principal and interest then due and payable on this bond shall be made without presentation or surrender hereof. Upon final payment of principal and interest, this bond shall be surrendered to the District for cancellation.

This bond is issued in accordance with the Registered Public Obligations Act, Chapter 159E of the General Statutes of North Carolina, and pursuant to The Local Government Finance Act, Chapter 159 of said General Statutes, and a bond order adopted by the Board of Commissioners of the County of Scotland, sitting as the governing body of the District, on March 8, 1999 to pay capital costs of providing water facilities for the District. The issuance of this bond and the contracting of the indebtedness evidenced thereby were approved by a majority of the qualified voters of the District voting at an election held on April 20, 1999.

This bond is exchangeable at the sole expense of the District at any time, upon ninety days' notice, at the request of the registered owner hereof and upon surrender of this bond to the District, for fully registered bonds, in the denomination of \$1,000 each or any integral multiple thereof, in an aggregate principal amount equal to the unpaid principal amount of this bond and in the form of such fully registered multiple bonds as is provided for in the resolution authorizing the issuance of the bonds.

This bond may be assigned and upon such assignment the assignor shall promptly notify the District by registered mail, and the assignee shall surrender the same to the District or its designated transfer agent for transfer on the registration records, and every such assignee shall take this bond subject to such condition. The person in whose name this bond is registered shall be deemed the owner thereof for all purposes.

So long as this bond is held or insured by the United States of America, the principal installments hereof may be prepaid without premium at any time in whole or in part in inverse order of maturity.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of North Carolina to exist, be performed or happen precedent to or in the issuance of this bond, exist, have been performed and have happened, and that this bond is within every limitation prescribed by said Constitution or statutes. The faith and credit of the District are hereby pledged to the punctual payment of the principal of and interest on this bond in accordance with its terms.

IN WITNESS WHEREOF , THE District has caused this bond to be signed by the Chairman of the governing body of the District and the Clerk of the District and sealed with the corporate seal of the District and this bond to be dated _____.

(DISTRICT)

(SEAL)

Chairman, governing body of
Scotland County Water District II

Clerk, Scotland County Water District II

CERTIFICATE OF LOCAL GOVERNMENT COMMISSION

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

Secretary of the Local Government Commission

By: _____
Designated Assistant

ASSIGNMENT

For value received the undersigned registered owner thereof hereby sells, assigns, and transfers unto _____ the within bond and all rights thereunder and hereby irrevocably constitutes and appoints _____ attorney to register the transfer of said bond on the books kept for registration thereof, with full power of substitution in the premises.

Signature Guaranteed:

Dated: _____

Notice: Signature guarantee must be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program (STAMP) or in such other guarantee program in accordance with Securities and Exchange Commission Rule 17 Ad-15

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

(12) Actions taken or to be taken by officials of the Issuer to select paying agents, transfer agents and a bond registrar, or alternate or successor agents and registrars pursuant to Section 159E-8 of the Registered Public Obligations Act, Chapter 159E of the General Statutes of North Carolina, are hereby authorized and approved.

(13) The Bonds shall be sold to the United States of America acting by and through Rural Utilities Service, an agency of the United States Department of Agriculture, at private sale without advertisement, at par, in the form of a single registered bond bearing interest at the rate

of 4.25% per annum, provided that the Local Government Commission shall determine that such price is in the best interest of the Issuer.

(14) The Chairman of the governing body of the Issuer and the Clerk of the Issuer are hereby authorized and directed to cause the Bonds to be prepared and, when they shall have been duly sold by the Local Government Commission, to execute the Bonds and to turn the Bonds over to the State Treasurer of North Carolina or to the Transfer Agent for delivery to the purchaser or purchasers to whom the Bonds may be sold by said Commission.

(15) The Issuer covenants to comply with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), to the extent required to preserve the exclusion from gross income of interest on the Bonds for federal income tax purposes.

(16) The Issuer hereby represents that (i) the proposed \$1,183,000 Water Bond, Series 2003A, is not a private activity bond as defined in the Code and (ii) the Issuer, together with any subordinate entities of the Issuer and any entities which issue obligations on behalf of the Issuer, reasonably expects that it will not issue and designate in the aggregate more than \$10,000,000 of tax-exempt obligations (other than private activity bonds which are not qualified 501(c)(3) bonds) during the current calendar year.

(17) The power to make any election on behalf of the Issuer with respect to the arbitrage rebate provisions of the Code applicable to the Bonds is hereby delegated to the Chairman of the governing body of the Issuer and the Clerk of the Issuer.

The motion having been duly seconded, and the resolution having been considered, it was adopted by the following votes:

AYES:
NAYS:

Motion was made by Commissioner J. D. Willis and duly seconded by Commissioner Clint Willis to approve a Resolution for negotiated sale of Water Bond, Series 2003A in the amount of \$1,183,000 for Scotland County Water District II. Vote: Approved unanimously.

**RESOLUTION
SCOTLAND COUNTY WATER DISTRICT II
FOR NEGOTIATED SALE OF
WATER BOND, SERIES 2003B**

WHEREAS, the bond order hereinafter described has taken effect and the Board of Commissioners of the County of Scotland (the "Board"), sitting as the governing body of Scotland County Water District II (the "Issuer"), desires to make provision for the issuance of a \$891,000 portion of the bonds authorized by said bond order; and

WHEREAS, the Board of the Issuer desires to sell the bonds at private sale without advertisement at a rate of interest not exceeding 4.25% per annum; and

WHEREAS, the Board of the Issuer has been informed of United States of America’s undertaking to purchase said bonds at the rate of 4.25% per annum, **NOW THEREFORE**,

BE IT RESOLVED by the Board of Commissioners of the County of Scotland, sitting as the governing body of the Issuer, as follows:

(6) The Issuer shall issue its bonds of the aggregate principal amount of \$891,000 pursuant to and in accordance with the water bond order adopted by the Board of the Issuer on March 8, 1999. The bonds shall be designated “Water Bond, Series 2003B”, and referred to herein as the “Bonds.” The period of usefulness of the capital project to be financed by the issuance of the Bonds is a period of forty years computed from the date of the Bonds.

(7) The Bonds shall be payable in annual installments on June 1 as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2006	\$ 10,000	2018	\$ 16,000	2031	\$ 28,000
2007	10,000	2019	17,000	2032	29,500
2008	11,000	2020	18,000	2033	31,000
2009	11,000	2021	19,000	2034	32,000
2010	12,000	2022	19,000	2035	33,000
2011	12,000	2023	20,000	2036	35,000
2012	13,000	2024	21,000	2037	36,000
2013	13,000	2025	22,000	2038	38,000
2014	14,000	2026	23,000	2039	39,500
2015	15,000	2027	24,000	2040	40,000
2016	15,000	2028	25,000	2041	40,000
2017	16,000	2029	26,000	2042	40,000
		2030	27,000	2043	40,000

(8) The Bonds shall be dated August 1, 2003 (unless awarded to the United States of America acting by and through Rural Utilities Service, an agency of the United States Department of Agriculture, in which case the Bonds shall be dated as of the date of delivery thereof), and shall bear interest from their date until they shall mature at a rate which shall not exceed 4.25% per annum. Such interest shall be payable on December 1, 2003 and semi-annually thereafter on June 1 and December 1 in each year; provided, however, that if the Bonds shall be purchased by the United States of America, the interest on such Bonds to the maturity thereof shall be payable on June 1, 2004 and annually thereafter on the 1st day of June of each year.

(4) The Bonds shall be issued as fully registered bonds without coupons in the denomination of \$500 each or any integral multiple thereof and numbered in accordance with the system of the hereinafter designated bond registrar (the "Multiple Bonds"), or, at the option of the purchaser, as a single fully registered bond without coupons in the denomination of \$891,000 (the "Single Bond") payable in installments. If issued as Multiple Bonds, the Bonds shall bear the facsimile signatures of the Chairman of the governing body of the Issuer and the Clerk of the Issuer and a facsimile of the corporate seal of the Issuer and the Certificate of Approval of the Local Government Commission shall bear a facsimile signature of the Secretary of said Commission. If issued as a Single Bond, the Bond shall be signed by the Chairman of the governing body of the Issuer and the Clerk of the Issuer, the corporate seal of the Issuer shall be impressed thereon and the Certificate of Approval of the Local Government Commission shall be signed by a designated assistant of said Commission.

(5) Within ninety days after the receipt by the Issuer of the written request of the registered owner of the Single Bond, the Issuer will, at its own expense, prepare and execute Multiple Bonds in the form hereinafter set forth, of type, composition and printed on paper of customary weight and strength, in an aggregate principal amount equal to the unpaid principal amount of the Single Bond, and having maturities corresponding to the principal installments of the Single Bond then unpaid; and the Issuer will cause the Multiple Bonds to be presented to the transfer agent to be designated by the Issuer (the "Transfer Agent" for endorsement and for dating the authentication blank thereon and for delivery to the registered owner of the Single Bond upon surrender and cancellation of the Single Bond.

(6) Except as in the next succeeding paragraph provided, interest on the Bonds shall be paid by check by the Issuer or a paying agent to be designated by the Issuer (the "Paying Agent"), and mailed to the registered owner of record as of 15 days prior to the interest payment date at his address as it appears on the bond registry books of the Transfer Agent, and principal of the Bonds shall be paid by check by the Paying Agent upon presentation of the Bonds for payment.

The Single Bond purchased by the United States of America shall be payable by the Issuer in installments of principal and interest without presentation.

(7) So long as the Bonds are held or insured by the United States of America, whether as a Single Bond or as Multiple Bonds, the principal thereon may be prepaid without premium at any time in whole or in part in inverse order of maturity.

(8) The Bonds not held or insured by the United States of America and maturing on and after June 1, 2014 shall be subject to redemption prior to their stated maturities at the option of the Issuer, in whole or in part (in multiples of \$500 of principal amount) on any date not earlier than June 1, 2013 at a redemption price equip to the principal amount of each bond to be redeemed together with accrued interest thereon to the redemption date, provided the redemption price for bonds redeemed during the period June 1, 2013 to May 31, 2014, inclusive, shall include a premium of 2% of the principal amount to be redeemed and the redemption price for bonds redeemed during the period June 1, 2014 to May 31, 2015, inclusive shall include a

premium of 1% of the principal amount to be redeemed. If less than all of the Bonds of any maturity are called for redemption, the Bonds to be redeemed shall be selected by the Issuer in such manner as it may determine.

If less than all of the principal amount of a Bond is to be redeemed, the Issuer shall exchange a bond of the denomination representing the portion of which is to be redeemed. Whenever the Issuer shall elect to redeem Bonds, notice of such redemption of Bonds, stating the redemption date, redemption price and identifying the Bonds or portions thereof to be redeemed by reference to their numbers and further stating that on such redemption date there shall become due and payable upon each bond or portion thereof so to be redeemed, the principal thereof, redemption premium and interest accrued to the redemption date, shall be given not less than 30 days nor more than 45 days prior to the redemption date in writing to the registered owners, by pre-paid first-class mail, at their addresses as such addresses appear on the records of the Transfer Agent, as bond registrar, but any failure in respect of such mailing will not affect the validity of the redemption.

(9) The Bonds are transferable by the registered owner thereof or his duly authorized attorney at the principal office of the Transfer Agent or the Issuer, as appropriate, upon surrender of the Bonds, accompanied by a duly executed instrument of transfer in form and with guaranty of signature satisfactory to the Transfer Agent or the Issuer, as appropriate, and upon payment of any taxes or other governmental charges incident to such transfer. Upon any such transfer a new registered bond without coupons of the same maturity and in the same aggregate principal amount will be issued to the transferee. The person in whose name the Bond is registered shall be deemed the owner thereof for all purposes, and the Issuer, the Paying Agent and the Transfer Agent shall not be affected by any notice to the contrary.

The Bonds are exchangeable at the sole expense of the Issuer at any time, upon ninety days' notice, at the request of the registered owner thereof and upon surrender of the Bonds to the Transfer Agent or the Issuer, as appropriate, 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 Transfer Agent or the Issuer, as appropriate, for fully registered Bonds in the denomination of \$500 each or any integral multiple thereof, in an aggregate principal amount equal to the unpaid principal amount of the Bonds and in the form of such fully registered multiple Bonds as is provided for in this resolution authorizing the issuance of the Bonds.

(10) The Multiple Bonds and the provisions for the registration thereof, for the approval of the Multiple Bonds by the Secretary of the Local Government Commission, and for authentication of the Multiple Bonds by the Transfer Agent shall be in substantially the following form:

(Form of Multiple Bonds)

No. R- _____

**UNITED STATES OF AMERICA
STATE OF NORTH CAROLINA**

SCOTLAND COUNTY WATER DISTRICT II

WATER BOND, SERIES 2003B

INTEREST RATE	MATURITY DATE	DATE OF ORIGINAL ISSUE
	June 1, _____	August 1, 2003

REGISTERED OWNER:

PRINCIPAL SUM: **DOLLARS**

Scotland County Water District II (hereinafter referred to as the “District”), a county water and sewer district in the State of North Carolina, acknowledges itself indebted and for value received hereby promises to pay to the registered owner named above on the maturity date specified above, upon the surrender hereof, the principal sum shown above, and to pay to the registered owner hereof interest thereon from the date of this bond [or from the June 1 or December 1 next preceding the date of authentication to which such interest shall have been paid, unless such date of authentication is a June 1 or December 1 to which interest shall have been paid, in which case from such date] until it shall mature at the rate per annum as specified above, payable on December 1, 2003 and semi-annually thereafter on June 1 and December 1 of each year. Principal of this bond is payable by check by First-Citizens Bank & Trust Company, in Raleigh, North Carolina, as paying agent, or by the duly appointed alternate or successor paying agent (the “Paying Agent”), in such coin or currency of the United States of America as at the time of payment shall be legal tender for payment of public and private debts. Interest on this bond is payable by check by the Paying Agent mailed to the registered owner hereof at his address as it appears on the bond registry books of First-Citizens Bank & Trust Company, in Raleigh, North Carolina, as transfer agent (the “Transfer Agent”), at the close of business on the fifteenth day of the calendar month (whether or not a business day) next preceding each interest payment date, in such coin or currency of the United States of America as at the time of payment shall be legal tender for payment of public and private debts.

This bond is transferable by the registered owner hereof or his duly authorized attorney at the principal office of the Transfer Agent, upon surrender of this bond, accompanied by a duly executed instrument of transfer in form and with guaranty of signature satisfactory to the Transfer Agent, and upon payment of any taxes or other governmental charges incident to such transfer. Upon any such transfer a new registered bond without coupons of the same maturity and in the same aggregate principal amount will be issued to the transferee. The person in whose name this bond is registered shall be deemed the owner hereof for all purposes, and the District, the Paying Agent and the Transfer Agent shall not be affected by any notice to the contrary.

This bond is exchangeable at the sole expense of the District at any time, upon ninety days’ notice, at the request of the registered owner hereof and upon surrender of this bond

to the Transfer Agent 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 Transfer Agent, for fully registered bonds in the denomination of \$500 each or any integral multiple thereof, in an aggregate principal amount equal to the unpaid principal amount of this bond and in the form of such fully registered multiple bonds as is provided for in the resolution authorizing the issuance of this bond.

This bond is issued in accordance with the Registered Public Obligations Act, Chapter 159E of the General Statutes of North Carolina, and pursuant to The Local Government Finance Act, Chapter 159 of said General Statutes, and a bond order adopted by the Board of Commissioners of the County of Scotland, sitting as the governing body of the District, on March 8, 1999 to pay capital costs of providing water facilities for the District. The issuance of this bond and the contracting of the indebtedness evidenced thereby were approved by a majority of the qualified voters of the District voting at an election held on April 20, 1999.

The bonds not held or insured by the United States of America and maturing on and after June 1, 2014 shall be subject to redemption prior to their stated maturities at the option of the District, in whole or in part (in multiples of \$500 of principal amount) on any date not earlier than June 1, 2013, at a redemption price equal to the principal amount of each bond to be redeemed together with accrued interest thereon to the redemption date, provided the redemption price for bonds redeemed during the period June 1, 2013 to May 31, 2014, inclusive, shall include a premium of 2% of the principal amount to be redeemed and the redemption price for bonds redeemed during the period June 1, 2014 to May 31, 2015, inclusive, shall include a premium of 1% of the principal amount to be redeemed. If less than all of the bonds of any maturity are called for redemption, the bonds to be redeemed shall be selected by the District in such manner as it may determine. If less than all of the principal amount of a bond is to be redeemed the District shall exchange a bond of the denomination representing the portion of the bond not redeemed to the registered owner in exchange for the bond, a portion of which is to be redeemed. Whenever the District shall elect to redeem bonds, notice of such redemption of bonds, stating the redemption date, redemption price and identifying the bonds or portions thereof to be redeemed by reference to their numbers and further stating that on such redemption date there shall become due and payable upon each bond or portion thereof so to be redeemed, the principal thereof, redemption premium and interest accrued to the redemption date, shall be given not less than 30 days nor more than 45 days prior to the redemption date in writing to the registered owners, by pre-paid first-class mail, at their addresses as such addresses appear on the records of the Transfer Agent, but any failure in respect of such mailing will not affect the validity of the redemption. So long as this bond is held or insured by the United States of America, the principal thereof may be prepaid without premium at any time in whole or in part in inverse order of maturity.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of North Carolina to exist, be performed or happen precedent to or in the issuance of this bond, exist, have been performed and have happened, and that the amount of this bond, together with all other indebtedness of the District, is within every debt and other limitation prescribed by said Constitution or statutes. The faith and credit of the District

are hereby pledged to the punctual payment of the principal of and interest on this bond in accordance with its terms.

This bond shall not be valid or become obligatory for any purpose until the certifications hereon shall have been signed by authorized representatives of the Local Government Commission of North Carolina and the Transfer Agent.

IN WITNESS WHEREOF, THE District has caused this bond to bear the facsimile signatures of the Chairman of the governing body of the District and Clerk of the District and a facsimile of the corporate seal of the District to be imprinted hereon, and this bond to be dated August 1, 2003.

(DISTRICT) _____
(facsimile signature)
Chairman, governing body of
Scotland County Water District II

(SEAL) _____
(facsimile signature)
Clerk, Scotland County Water District II

Transfer Agent's Certificate of Authentication

This bond is one of the bonds of the issue designated herein and issued under the within-mentioned bond order.

FIRST-CITIZENS BANK & TRUST COMPANY

By: _____
Authorized Signatory

Date of Authentication _____

CERTIFICATE OF LOCAL GOVERNMENT COMMISSION

The issue hereof has been approved under the

provisions of The Local Government Bond Act.

(facsimile signature)
Secretary of the Local Government Commission

ASSIGNMENT

For value received the undersigned registered owner thereof hereby sells, assigns, and transfers unto _____ the within bond and all rights thereunder and hereby irrevocably constitutes and appoints _____ attorney to register the transfer of said bond on the books kept for registration thereof, with full power of substitution in the premises.

Signature Guaranteed:

Dated: _____

Notice: Signature guarantee must be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program (STAMP) or in such other guarantee program in accordance with Securities and Exchange Commission Rule 17 Ad-15

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

(11) The Single Bond, the provisions for assignment thereof and for approval thereof by the Secretary of the Local Government Commission to be endorsed thereon shall be in substantially the following form:

**UNITED STATES OF AMERICA
STATE OF NORTH CAROLINA**

SCOTLAND COUNTY WATER DISTRICT II

WATER BOND, SERIES 2003B

No. R-_____

\$891,000

Scotland County Water District II (hereinafter called the “District”), a county water and sewer district in the State of North Carolina, acknowledges itself indebted and for

value received, hereby promises to pay to [UNITED STATES OF AMERICA, ACTING BY AND THROUGH RURAL UTILITES SERVICE, AN AGENCY OF THE UNITED STATES DEPARTMENT OF AGRICULTURE], or its registered assigns, the principal sum of \$891,000 on the first day of June in years and installments, as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2006	\$ 10,000	2018	\$ 16,000	2031	\$ 28,000
2007	10,000	2019	17,000	2032	29,500
2008	11,000	2020	18,000	2033	31,000
2009	11,000	2021	19,000	2034	32,000
2010	12,000	2022	19,000	2035	33,000
2011	12,000	2023	20,000	2036	35,000
2012	13,000	2024	21,000	2037	36,000
2013	13,000	2025	22,000	2038	38,000
2014	14,000	2026	23,000	2039	39,500
2015	15,000	2027	24,000	2040	40,000
2016	15,000	2028	25,000	2041	40,000
2017	16,000	2029	26,000	2042	40,000
		2030	27,000	2043	40,000

in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, and to pay interest on the balance of said principal sum from time to time remaining unpaid, in like coin or currency, at the rate of four and twenty-five hundredths per centum (4.25%) per annum on June 1, 2004 and annually thereafter on June 1 of each year, until the principal amount hereof has been paid.

Payments of the installments of principal and interest then due and payable on this bond shall be made without presentation or surrender hereof. Upon final payment of principal and interest, this bond shall be surrendered to the District for cancellation.

This bond is issued in accordance with the Registered Public Obligations Act, Chapter 159E of the General Statutes of North Carolina, and pursuant to The Local Government Finance Act, Chapter 159 of said General Statutes, and a bond order adopted by the Board of Commissioners of the County of Scotland, sitting as the governing body of the District, on March 8, 1999 to pay capital costs of providing water facilities for the District. The issuance of this bond and the contracting of the indebtedness evidenced thereby were approved by a majority of the qualified voters of the District voting at an election held on April 20, 1999.

This bond is exchangeable at the sole expense of the District at any time, upon ninety days' notice, at the request of the registered owner hereof and upon surrender of this bond to the District, for fully registered bonds, in the denomination of \$500 each or any integral multiple thereof, in an aggregate principal amount equal to the unpaid principal amount of this bond and in the form of such fully registered multiple bonds as is provided for in the resolution authorizing the issuance of the bonds.

This bond may be assigned and upon such assignment the assignor shall promptly notify the District by registered mail, and the assignee shall surrender the same to the District or its designated transfer agent for transfer on the registration records, and every such assignee shall take this bond subject to such condition. The person in whose name this bond is registered shall be deemed the owner thereof for all purposes.

So long as this bond is held or insured by the United States of America, the principal installments hereof may be prepaid without premium at any time in whole or in part in inverse order of maturity.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of North Carolina to exist, be performed or happen precedent to or in the issuance of this bond, exist, have been performed and have happened, and that this bond is within every limitation prescribed by said Constitution or statutes. The faith and credit of the District are hereby pledged to the punctual payment of the principal of and interest on this bond in accordance with its terms.

IN WITNESS WHEREOF , THE District has caused this bond to be signed by the Chairman of the governing body of the District and the Clerk of the District and sealed with the corporate seal of the District and this bond to be dated _____.

(DISTRICT)

(SEAL)

Chairman, governing body of
Scotland County Water District II

Clerk, Scotland County Water District II

CERTIFICATE OF LOCAL GOVERNMENT COMMISSION

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

Secretary of the Local Government Commission

By: _____
Designated Assistant

ASSIGNMENT

For value received the undersigned registered owner thereof hereby sells, assigns, and transfers unto _____ the within bond and all rights thereunder and hereby irrevocably constitutes and appoints _____ attorney to register the transfer of said bond on the books kept for registration thereof, with full power of substitution in the premises.

Signature Guaranteed:

Dated: _____

Notice: Signature guarantee must be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program (STAMP) or in such other guarantee program in accordance with Securities and Exchange Commission Rule 17 Ad-15

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

(12) Actions taken or to be taken by officials of the Issuer to select paying agents, transfer agents and a bond registrar, or alternate or successor agents and registrars pursuant to Section 159E-8 of the Registered Public Obligations Act, Chapter 159E of the General Statutes of North Carolina, are hereby authorized and approved.

(13) The Bonds shall be sold to the United States of America acting by and through Rural Utilities Service, an agency of the United States Department of Agriculture, at private sale without advertisement, at par, in the form of a single registered bond bearing interest at the rate of 4.25% per annum, provided that the Local Government Commission shall determine that such price is in the best interest of the Issuer.

(14) The Chairman of the governing body of the Issuer and the Clerk of the Issuer are hereby authorized and directed to cause the Bonds to be prepared and, when they shall have been duly sold by the Local Government Commission, to execute the Bonds and to turn the Bonds over to the State Treasurer of North Carolina or to the Transfer Agent for delivery to the purchaser or purchasers to whom the Bonds may be sold by said Commission.

(15) The Issuer covenants to comply with the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), to the extent required to preserve the exclusion from gross income of interest on the Bonds for federal income tax purposes.

(16) The Issuer hereby represents that (i) the proposed \$891,000 Water Bond, Series 2003B, is not a private activity bond as defined in the Code and (ii) the Issuer, together with any subordinate entities of the Issuer and any entities which issue obligations on behalf of the Issuer, reasonably expects that it will not issue and designate in the aggregate more than \$10,000,000 of tax-exempt obligations (other than private activity bonds which are not qualified 501(c)(3) bonds) during the current calendar year.

(17) The power to make any election on behalf of the Issuer with respect to the arbitrage rebate provisions of the Code applicable to the Bonds is hereby delegated to the Chairman of the governing body of the Issuer and the Clerk of the Issuer.

The motion having been duly seconded, and the resolution having been considered, it was adopted by the following votes:

AYES:

NAYS:

Motion was made by Commissioner Clint Willis and duly seconded by Commissioner J. D. Willis to approve a Resolution for negotiated sale of Water Bond, Series 2003B in the amount of \$891,000 for Scotland County Water District II. Vote: Approved unanimously.

**RESOLUTION
SCOTLAND COUNTY WATER DISTRICT II
FOR NEGOTIATED SALE OF
WATER BOND, SERIES 2003C**

WHEREAS, the bond order hereinafter described has taken effect and the Board of Commissioners of the County of Scotland (the “Board”), sitting as the governing body of Scotland County Water District II (the “Issuer”), desires to make provision for the issuance of a \$3,120,000 portion of the bonds authorized by said bond order; and

WHEREAS, the Board of the Issuer desires to sell the bonds at private sale without advertisement at a rate of interest not exceeding 4.25% per annum; and

WHEREAS, the Board of the Issuer has been informed of United States of America’s undertaking to purchase said bonds at the rate of 4.25% per annum, **NOW THEREFORE**,

BE IT RESOLVED by the Board of Commissioners of the County of Scotland, sitting as the governing body of the Issuer, as follows:

(9) The Issuer shall issue its bonds of the aggregate principal amount of \$3,120,000 pursuant to and in accordance with the water bond order adopted by the Board of the Issuer on March 8, 1999. The bonds shall be designated “Water Bond, Series 2003C”, and referred to herein as the “Bonds.” The period of usefulness of the capital project to be financed by the issuance of the Bonds is a period of forty years computed from the date of the Bonds.

(10) The Bonds shall be payable in annual installments on June 1 as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2006	\$ 35,000	2018	\$ 57,000	2031	\$ 99,000
2007	36,000	2019	60,000	2032	103,000
2008	38,000	2020	62,500	2033	107,000
2009	39,500	2021	65,000	2034	112,000
2010	41,000	2022	68,000	2035	117,000
2011	43,000	2023	71,000	2036	122,000
2012	45,000	2024	74,000	2037	127,000
2013	46,500	2025	77,000	2038	132,000
2014	48,500	2026	80,000	2039	138,000
2015	51,000	2027	84,000	2040	140,000
2016	53,000	2028	87,000	2041	140,000
2017	55,000	2029	91,000	2042	140,000
		2030	95,000	2043	140,000

(11) The Bonds shall be dated August 1, 2003 (unless awarded to the United States of America acting by and through Rural Utilities Service, an agency of the United States Department of Agriculture, in which case the Bonds shall be dated as of the date of delivery thereof), and shall bear interest from their date until they shall mature at a rate which shall not exceed 4.25% per annum. Such interest shall be payable on December 1, 2003 and semi-annually thereafter on June 1 and December 1 in each year; provided, however, that if the Bonds shall be purchased by the United States of America, the interest on such Bonds to the maturity thereof shall be payable on June 1, 2004 and annually thereafter on the 1st day of June of each year.

(12) The Bonds shall be issued as fully registered bonds without coupons in the denomination of \$500 each or any integral multiple thereof and numbered in accordance with the system of the hereinafter designated bond registrar (the “Multiple Bonds”), or, at the option of the purchaser, as a single fully registered bond without coupons in the denomination of \$3,120,000 (the “Single Bond”) payable in installments. If issued as Multiple Bonds, the Bonds

shall bear the facsimile signatures of the Chairman of the governing body of the Issuer and the Clerk of the Issuer and a facsimile of the corporate seal of the Issuer and the Certificate of Approval of the Local Government Commission shall bear a facsimile signature of the Secretary of said Commission. If issued as a Single Bond, the Bond shall be signed by the Chairman of the governing body of the Issuer and the Clerk of the Issuer, the corporate seal of the Issuer shall be impressed thereon and the Certificate of Approval of the Local Government Commission shall be signed by a designated assistant of said Commission.

(13) Within ninety days after the receipt by the Issuer of the written request of the registered owner of the Single Bond, the Issuer will, at its own expense, prepare and execute Multiple Bonds in the form hereinafter set forth, of type, composition and printed on paper of customary weight and strength, in an aggregate principal amount equal to the unpaid principal amount of the Single Bond, and having maturities corresponding to the principal installments of the Single Bond then unpaid; and the Issuer will cause the Multiple Bonds to be presented to the transfer agent to be designated by the Issuer (the "Transfer Agent" for endorsement and for dating the authentication blank thereon and for delivery to the registered owner of the Single Bond upon surrender and cancellation of the Single Bond.

(6) Except as in the next succeeding paragraph provided, interest on the Bonds shall be paid by check by the Issuer or a paying agent to be designated by the Issuer (the "Paying Agent"), and mailed to the registered owner of record as of 15 days prior to the interest payment date at his address as it appears on the bond registry books of the Transfer Agent, and principal of the Bonds shall be paid by check by the Paying Agent upon presentation of the Bonds for payment.

The Single Bond purchased by the United States of America shall be payable by the Issuer in installments of principal and interest without presentation.

(7) So long as the Bonds are held or insured by the United States of America, whether as a Single Bond or as Multiple Bonds, the principal thereon may be prepaid without premium at any time in whole or in part in inverse order of maturity.

(8) The Bonds not held or insured by the United States of America and maturing on and after June 1, 2014 shall be subject to redemption prior to their stated maturities at the option of the Issuer, in whole or in part (in multiples of \$500 of principal amount) on any date not earlier than June 1, 2013 at a redemption price equip to the principal amount of each bond to be redeemed together with accrued interest thereon to the redemption date, provided the redemption price for bonds redeemed during the period June 1, 2013 to May 31, 2014, inclusive, shall include a premium of 2% of the principal amount to be redeemed and the redemption price for bonds redeemed during the period June 1, 2014 to May 31, 2015, inclusive shall include a premium of 1% of the principal amount to be redeemed. If less than all of the Bonds of any maturity are called for redemption, the Bonds to be redeemed shall be selected by the Issuer in such manner as it may determine.

If less than all of the principal amount of a Bond is to be redeemed, the Issuer shall exchange a bond of the denomination representing the portion of which is to be redeemed.

Whenever the Issuer shall elect to redeem Bonds, notice of such redemption of Bonds, stating the redemption date, redemption price and identifying the Bonds or portions thereof to be redeemed by reference to their numbers and further stating that on such redemption date there shall become due and payable upon each bond or portion thereof so to be redeemed, the principal thereof, redemption premium and interest accrued to the redemption date, shall be given not less than 30 days nor more than 45 days prior to the redemption date in writing to the registered owners, by pre-paid first-class mail, at their addresses as such addresses appear on the records of the Transfer Agent, as bond registrar, but any failure in respect of such mailing will not affect the validity of the redemption.

(9) The Bonds are transferable by the registered owner thereof or his duly authorized attorney at the principal office of the Transfer Agent or the Issuer, as appropriate, upon surrender of the Bonds, accompanied by a duly executed instrument of transfer in form and with guaranty of signature satisfactory to the Transfer Agent or the Issuer, as appropriate, and upon payment of any taxes or other governmental charges incident to such transfer. Upon any such transfer a new registered bond without coupons of the same maturity and in the same aggregate principal amount will be issued to the transferee. The person in whose name the Bond is registered shall be deemed the owner thereof for all purposes, and the Issuer, the Paying Agent and the Transfer Agent shall not be affected by any notice to the contrary.

The Bonds are exchangeable at the sole expense of the Issuer at any time, upon ninety days' notice, at the request of the registered owner thereof and upon surrender of the Bonds to the Transfer Agent or the Issuer, as appropriate, 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 Transfer Agent or the Issuer, as appropriate, for fully registered Bonds in the denomination of \$500 each or any integral multiple thereof, in an aggregate principal amount equal to the unpaid principal amount of the Bonds and in the form of such fully registered multiple Bonds as is provided for in this resolution authorizing the issuance of the Bonds.

(10) The Multiple Bonds and the provisions for the registration thereof, for the approval of the Multiple Bonds by the Secretary of the Local Government Commission, and for authentication of the Multiple Bonds by the Transfer Agent shall be in substantially the following form:

(Form of Multiple Bonds)

No. R- _____

**UNITED STATES OF AMERICA
STATE OF NORTH CAROLINA**

SCOTLAND COUNTY WATER DISTRICT II

WATER BOND, SERIES 2003C

INTEREST

MATURITY

DATE OF

RATE

DATE

ORIGINAL ISSUE

June 1, _____

August 1, 2003

REGISTERED OWNER:

PRINCIPAL SUM:

DOLLARS

Scotland County Water District II (hereinafter referred to as the "District"), a county water and sewer district in the State of North Carolina, acknowledges itself indebted and for value received hereby promises to pay to the registered owner named above on the maturity date specified above, upon the surrender hereof, the principal sum shown above, and to pay to the registered owner hereof interest thereon from the date of this bond [or from the June 1 or December 1 next preceding the date of authentication to which such interest shall have been paid, unless such date of authentication is a June 1 or December 1 to which interest shall have been paid, in which case from such date] until it shall mature at the rate per annum as specified above, payable on December 1, 2003 and semi-annually thereafter on June 1 and December 1 of each year. Principal of this bond is payable by check by First-Citizens Bank & Trust Company, in Raleigh, North Carolina, as paying agent, or by the duly appointed alternate or successor paying agent (the "Paying Agent"), in such coin or currency of the United States of America as at the time of payment shall be legal tender for payment of public and private debts. Interest on this bond is payable by check by the Paying Agent mailed to the registered owner hereof at his address as it appears on the bond registry books of First-Citizens Bank & Trust Company, in Raleigh, North Carolina, as transfer agent (the "Transfer Agent"), at the close of business on the fifteenth day of the calendar month (whether or not a business day) next preceding each interest payment date, in such coin or currency of the United States of America as at the time of payment shall be legal tender for payment of public and private debts.

This bond is transferable by the registered owner hereof or his duly authorized attorney at the principal office of the Transfer Agent, upon surrender of this bond, accompanied by a duly executed instrument of transfer in form and with guaranty of signature satisfactory to the Transfer Agent, and upon payment of any taxes or other governmental charges incident to such transfer. Upon any such transfer a new registered bond without coupons of the same maturity and in the same aggregate principal amount will be issued to the transferee. The person in whose name this bond is registered shall be deemed the owner hereof for all purposes, and the District, the Paying Agent and the Transfer Agent shall not be affected by any notice to the contrary.

This bond is exchangeable at the sole expense of the District at any time, upon ninety days' notice, at the request of the registered owner hereof and upon surrender of this bond to the Transfer Agent 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 Transfer Agent, for fully registered bonds in the denomination of \$500 each or any integral multiple thereof, in an aggregate principal amount equal to the unpaid principal amount of this bond and in the form of such fully registered multiple bonds as is provided for in the resolution authorizing the issuance of this bond.

This bond is issued in accordance with the Registered Public Obligations Act, Chapter 159E of the General Statutes of North Carolina, and pursuant to The Local Government Finance Act, Chapter 159 of said General Statutes, and a bond order adopted by the Board of Commissioners of the County of Scotland, sitting as the governing body of the District, on March 8, 1999 to pay capital costs of providing water facilities for the District. The issuance of this bond and the contracting of the indebtedness evidenced thereby were approved by a majority of the qualified voters of the District voting at an election held on April 20, 1999.

The bonds not held or insured by the United States of America and maturing on and after June 1, 2014 shall be subject to redemption prior to their stated maturities at the option of the District, in whole or in part (in multiples of \$500 of principal amount) on any date not earlier than June 1, 2013, at a redemption price equal to the principal amount of each bond to be redeemed together with accrued interest thereon to the redemption date, provided the redemption price for bonds redeemed during the period June 1, 2013 to May 31, 2014, inclusive, shall include a premium of 2% of the principal amount to be redeemed and the redemption price for bonds redeemed during the period June 1, 2014 to May 31, 2015, inclusive, shall include a premium of 1% of the principal amount to be redeemed. If less than all of the bonds of any maturity are called for redemption, the bonds to be redeemed shall be selected by the District in such manner as it may determine. If less than all of the principal amount of a bond is to be redeemed the District shall exchange a bond of the denomination representing the portion of the bond not redeemed to the registered owner in exchange for the bond, a portion of which is to be redeemed. Whenever the District shall elect to redeem bonds, notice of such redemption of bonds, stating the redemption date, redemption price and identifying the bonds or portions thereof to be redeemed by reference to their numbers and further stating that on such redemption date there shall become due and payable upon each bond or portion thereof so to be redeemed, the principal thereof, redemption premium and interest accrued to the redemption date, shall be given not less than 30 days nor more than 45 days prior to the redemption date in writing to the registered owners, by pre-paid first-class mail, at their addresses as such addresses appear on the records of the Transfer Agent, but any failure in respect of such mailing will not affect the validity of the redemption. So long as this bond is held or insured by the United States of America, the principal thereof may be prepaid without premium at any time in whole or in part in inverse order of maturity.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of North Carolina to exist, be performed or happen precedent to or in the issuance of this bond, exist, have been performed and have happened, and that the amount of this bond, together with all other indebtedness of the District, is within every debt and other limitation prescribed by said Constitution or statutes. The faith and credit of the District are hereby pledged to the punctual payment of the principal of and interest on this bond in accordance with its terms.

This bond shall not be valid or become obligatory for any purpose until the certifications hereon shall have been signed by authorized representatives of the Local Government Commission of North Carolina and the Transfer Agent.

IN WITNESS WHEREOF, THE District has caused this bond to bear the facsimile signatures of the Chairman of the governing body of the District and Clerk of the District and a facsimile of the corporate seal of the District to be imprinted hereon, and this bond to be dated August 1, 2003.

(DISTRICT) _____
(facsimile signature)
Chairman, governing body of
Scotland County Water District II

(SEAL) _____
(facsimile signature)
Clerk, Scotland County Water District II

Transfer Agent's Certificate of Authentication

This bond is one of the bonds of the issue designated herein and issued under the within-mentioned bond order.

FIRST-CITIZENS BANK & TRUST COMPANY

By: _____
Authorized Signatory

Date of Authentication _____

CERTIFICATE OF LOCAL GOVERNMENT COMMISSION

The issue hereof has been approved under the provisions of The Local Government Bond Act.

(facsimile signature)
Secretary of the Local Government Commission

ASSIGNMENT

For value received the undersigned registered owner thereof hereby sells, assigns, and transfers unto _____ the within bond and all rights thereunder and hereby irrevocably constitutes and appoints _____ attorney to register the transfer of said bond on the books kept for registration thereof, with full power of substitution in the premises.

Signature Guaranteed: _____

Dated: _____

Notice: Signature guarantee must be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program (STAMP) or in such other guarantee program in accordance with Securities and Exchange Commission Rule 17 Ad-15

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

(11) The Single Bond, the provisions for assignment thereof and for approval thereof by the Secretary of the Local Government Commission to be endorsed thereon shall be in substantially the following form:

**UNITED STATES OF AMERICA
STATE OF NORTH CAROLINA**

SCOTLAND COUNTY WATER DISTRICT II

WATER BOND, SERIES 2003C

No. R-_____

\$3,120,000

Scotland County Water District II (hereinafter called the “District”), a county water and sewer district in the State of North Carolina, acknowledges itself indebted and for value received, hereby promises to pay to [UNITED STATES OF AMERICA, ACTING BY AND THROUGH RURAL UTILITES SERVICE, AN AGENCY OF THE UNITED STATES DEPARTMENT OF AGRICULTURE], or its registered assigns, the principal sum of \$3,120,000 on the first day of June in years and installments, as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
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2006	\$ 35,000	2018	\$ 57,000	2031	\$ 99,000
2007	36,000	2019	60,000	2032	103,000
2008	38,000	2020	62,500	2033	107,000
2009	39,500	2021	65,000	2034	112,000
2010	41,000	2022	68,000	2035	117,000
2011	43,000	2023	71,000	2036	122,000
2012	45,000	2024	74,000	2037	127,000
2013	46,500	2025	77,000	2038	132,000
2014	48,500	2026	80,000	2039	138,000
2015	51,000	2027	84,000	2040	140,000
2016	53,000	2028	87,000	2041	140,000
2017	55,000	2029	91,000	2042	140,000
		2030	95,000	2043	140,000

in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, and to pay interest on the balance of said principal sum from time to time remaining unpaid, in like coin or currency, at the rate of four and twenty-five hundredths per centum (4.25%) per annum on June 1, 2004 and annually thereafter on June 1 of each year, until the principal amount hereof has been paid.

Payments of the installments of principal and interest then due and payable on this bond shall be made without presentation or surrender hereof. Upon final payment of principal and interest, this bond shall be surrendered to the District for cancellation.

This bond is issued in accordance with the Registered Public Obligations Act, Chapter 159E of the General Statutes of North Carolina, and pursuant to The Local Government Finance Act, Chapter 159 of said General Statutes, and a bond order adopted by the Board of Commissioners of the County of Scotland, sitting as the governing body of the District, on March 8, 1999 to pay capital costs of providing water facilities for the District. The issuance of this bond and the contracting of the indebtedness evidenced thereby were approved by a majority of the qualified voters of the District voting at an election held on April 20, 1999.

This bond is exchangeable at the sole expense of the District at any time, upon ninety days' notice, at the request of the registered owner hereof and upon surrender of this bond to the District, for fully registered bonds, in the denomination of \$500 each or any integral multiple thereof, in an aggregate principal amount equal to the unpaid principal amount of this bond and in the form of such fully registered multiple bonds as is provided for in the resolution authorizing the issuance of the bonds.

This bond may be assigned and upon such assignment the assignor shall promptly notify the District by registered mail, and the assignee shall surrender the same to the District or its designated transfer agent for transfer on the registration records, and every such assignee shall take this bond subject to such condition. The person in whose name this bond is registered shall be deemed the owner thereof for all purposes.

So long as this bond is held or insured by the United States of America, the principal installments hereof may be prepaid without premium at any time in whole or in part in inverse order of maturity.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of North Carolina to exist, be performed or happen precedent to or in the issuance of this bond, exist, have been performed and have happened, and that this bond is within every limitation prescribed by said Constitution or statutes. The faith and credit of the District are hereby pledged to the punctual payment of the principal of and interest on this bond in accordance with its terms.

IN WITNESS WHEREOF , THE District has caused this bond to be signed by the Chairman of the governing body of the District and the Clerk of the District and sealed with the corporate seal of the District and this bond to be dated _____.

Chairman, governing body of
Scotland County Water District II

(DISTRICT)

(SEAL)

Clerk, Scotland County Water District II

CERTIFICATE OF LOCAL GOVERNMENT COMMISSION

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

Secretary of the Local Government Commission

By: _____
Designated Assistant

ASSIGNMENT

For value received the undersigned registered owner thereof hereby sells, assigns, and transfers unto _____ the within bond and all rights thereunder and hereby irrevocably constitutes and appoints _____ attorney to register the transfer of said bond on the books kept for registration thereof, with full power of substitution in the premises.

Signature Guaranteed:

Dated: _____

Notice: Signature guarantee must be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program (STAMP) or in such other guarantee program in accordance with Securities and Exchange Commission Rule 17 Ad-15

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

(12) Actions taken or to be taken by officials of the Issuer to select paying agents, transfer agents and a bond registrar, or alternate or successor agents and registrars pursuant to Section 159E-8 of the Registered Public Obligations Act, Chapter 159E of the General Statutes of North Carolina, are hereby authorized and approved.

(13) The Bonds shall be sold to the United States of America acting by and through Rural Utilities Service, an agency of the United States Department of Agriculture, at private sale without advertisement, at par, in the form of a single registered bond bearing interest at the rate of 4.25% per annum, provided that the Local Government Commission shall determine that such price is in the best interest of the Issuer.

(14) The Chairman of the governing body of the Issuer and the Clerk of the Issuer are hereby authorized and directed to cause the Bonds to be prepared and, when they shall have been duly sold by the Local Government Commission, to execute the Bonds and to turn the Bonds over to the State Treasurer of North Carolina or to the Transfer Agent for delivery to the purchaser or purchasers to whom the Bonds may be sold by said Commission.

(15) The Issuer covenants to comply with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), to the extent required to preserve the exclusion from gross income of interest on the Bonds for federal income tax purposes.

(16) The Issuer hereby represents that (i) the proposed \$3,120,000 Water Bond, Series 2003C, is not a private activity bond as defined in the Code and (ii) the Issuer, together with any subordinate entities of the Issuer and any entities which issue obligations on behalf of the Issuer,

reasonably expects that it will not issue and designate in the aggregate more than \$10,000,000 of tax-exempt obligations (other than private activity bonds which are not qualified 501(c)(3) bonds) during the current calendar year.

(17) The power to make any election on behalf of the Issuer with respect to the arbitrage rebate provisions of the Code applicable to the Bonds is hereby delegated to the Chairman of the governing body of the Issuer and the Clerk of the Issuer.

The motion having been duly seconded, and the resolution having been considered, it was adopted by the following votes:

AYES:

NAYS:

Motion was made by Commissioner J. D. Willis and duly seconded by Commissioner Betty B. Gholston to approve a Resolution for negotiated sale of Water Bond, Series 2003C in the amount of \$3,120,000 for Scotland County Water District II. Vote: Approved unanimously.

Motion was made by Commissioner Clint Willis and duly seconded by Commissioner J. D. Willis to adjourn. Vote: Approved unanimously.

Respectfully submitted,

Anne G. Tindall
Recorder

David L. Burns
Chairman