

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

SEPTEMBER 9, 2010

The Board of Directors of the Orange Water and Sewer Authority (OWASA) held a regular Business Meeting on Thursday, September 9, 2010, at 7:00 P.M., in OWASA's Community Room.

Directors present: Gordon Merklein, Chair; Alan Rimer, P.E., Vice Chair; Braxton Foushee, Secretary; Joyce C. Preslar; William Stott; and Amy Witsil, P.E. Directors absent: Fred Battle; Michael A. (Mac) Clarke; and Randy Kabrick, P.E.

OWASA staff: Ed Kerwin; Mason Crum; Andrea Orbich; Kevin Ray; Stephen Winters; and Robert Epting, Esq., Epting and Hackney.

Others present: Meg Holton, Water, Wastewater, and Stormwater Manager of the University of North Carolina at Chapel Hill; Lauren Hollowell, Carolina Journalism Network; and Renee White.

There being a quorum present, Chair Gordon Merklein called the meeting to order.

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MOTIONS ACTED UPON

1. Braxton Foushee made a motion to approve the Minutes of the August 26, 2010, Closed Session of the Board of Directors; the motion was seconded by William Stott and carried by unanimous vote.

2. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Series Resolution of the Orange Water and Sewer Authority Relating to the Issuance of Not Exceeding \$28,000,000 Water and Sewer System Revenue Refunding Bonds, Series 2010 of Said Authority Pursuant to the Provisions of Section 2.08 of an Amended and Restated Bond Order Adopted by said Authority on September 13, 2001, and Requesting the Local Government Commission of North Carolina to Award said Bonds at Private Sale." (Resolution so titled attached hereto and made a part of these minutes. Motion by Braxton Foushee, second by William Stott, and unanimously approved.)

3. BE IT RESOLVED THAT the Orange Water and Sewer Authority adopt the resolution titled "Resolution Declaring OWASA's 'Ray Heirs' Property as Surplus." (Resolution so titled attached hereto and made a part of these minutes. Motion by Joy Preslar, second by William Stott, and carried by a vote of 5 to 1 with Braxton Foushee opposed.)

4. Braxton Foushee made a motion that the Board of Directors go into a Closed Session for the purpose of discussing a personnel matter. The motion was seconded by Joy Preslar and unanimously approved.

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ITEM ONE: ANNOUNCEMENTS

CONFLICT OF INTEREST

Gordon Merklein said any Board Member who knows of a conflict of interest or potential conflict of interest with respect to any item on the agenda tonight is asked to disclose the same at this time. There were none.

COMMITTEE MEETING

Gordon Merklein said the Finance Committee will meet on Tuesday, September 21, 2010 at 5:30 P.M. in the OWASA Boardroom to review the Capital Improvements Program.

ITEM TWO: PETITIONS AND REQUESTS

Gordon Merklein asked for petitions from the public, Board and staff; there were none.

ITEM THREE: MINUTES

Braxton Foushee made a motion to approve the Minutes of the August 26, 2010, Closed Session of the Board of Directors; the motion was seconded by William Stott and carried by unanimous vote. Please see Motion No. 1 above.

ITEM FOUR: SERIES RESOLUTION OF THE ORANGE WATER AND SEWER AUTHORITY RELATING TO THE ISSUANCE OF NOT EXCEEDING \$28,000,000 WATER AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2010 OF SAID AUTHORITY PURSUANT TO THE PROVISIONS OF SECTION 2.08 OF AN AMENDED AND RESTATED BOND ORDER ADOPTED BY SAID AUTHORITY ON SEPTEMBER 13, 2001, AND REQUESTING THE LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA TO AWARD SAID BONDS AT PRIVATE SALE

Stephen Winters said that on September 7, 2010, the Local Government Commission of North Carolina approved OWASA's application for issuance of OWASA's Series 2010 Bonds.

Braxton Foushee made a motion to approve the resolution; the motion was seconded by William Stott and carried by unanimous vote. Please see Motion No. 2 above.

ITEM FIVE:     RECOMMENDATION TO DECLARE OWASA'S "RAY HEIRS"  
PROPERTY AS SURPLUS AND TO INITIATE ACTIONS TO SELL THE  
PROPERTY

William Stott inquired whether the Boy Scouts of America were still interested in the property.

Ed Kerwin said that John Greene, who is absent, would answer the question and will respond to the full Board.

Joy Preslar made a motion to approve the "Resolution Declaring OWASA's 'Ray Heirs' Property as Surplus"; the motion was seconded by William Stott and carried by unanimous vote of five (5) to one (1) with Braxton Foushee opposed. Please see Motion No. 3 above.

ITEM SIX:       CLOSED SESSION

Braxton Foushee made a motion that the Board convene in a closed session for the purpose of discussing a personnel matter; the motion was seconded by Joy Preslar and unanimously approved. Please see Motion No. 4 above.

There being no further business to come before the Board, the meeting was adjourned at 7:45 P.M.

Enclosures

**SERIES RESOLUTION OF THE ORANGE WATER AND SEWER AUTHORITY RELATING TO THE ISSUANCE OF NOT EXCEEDING \$28,000,000 WATER AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2010 OF SAID AUTHORITY PURSUANT TO THE PROVISIONS OF SECTION 2.08 OF AN AMENDED AND RESTATED BOND ORDER ADOPTED BY SAID AUTHORITY ON SEPTEMBER 13, 2001, AND REQUESTING THE LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA TO AWARD SAID BONDS AT PRIVATE SALE**

**WHEREAS**, the Orange Water and Sewer Authority (“OWASA”), a public body and body politic and corporate of the State of North Carolina, is authorized under the provisions of the North Carolina Water and Sewer Authorities Act, as amended, and The State and Local Government Revenue Bond Act, as amended (collectively, the “Act”), to acquire, lease, construct, reconstruct, improve, extend, enlarge, equip, repair, maintain and operate water and sewer systems or any part thereof within Orange County, North Carolina, to issue revenue bonds of OWASA to pay the cost of such water and sewer systems and to issue revenue refunding bonds; and

**WHEREAS**, OWASA has heretofore issued (a) \$32,165,000 principal amount of its Water and Sewer System Revenue and Revenue Refunding Bonds, Series 1993, none of which are currently outstanding, (b) \$15,120,000 principal amount of its Water and Sewer System Revenue Bonds, Series 1999, none of which are currently outstanding, (c) \$34,540,000 principal amount of its Water and Sewer System Revenue Bonds, Series 2001 (the “Series 2001 Bonds”), which are currently outstanding in the principal amount of \$16,030,000, (d) \$13,875,000 principal amount of its Water and Sewer System Revenue Refunding Bonds, Series 2003, which are currently outstanding in the principal amount of \$5,805,000, (e) \$21,265,000 principal amount of its Water and Sewer System Revenue Bonds, Series 2004A (the “Series 2004A Bonds”), which are currently outstanding in the principal amount of \$15,690,000, (f) \$20,000,000 principal amount of its Water and Sewer System Revenue Bonds, Series 2004B, all of which are currently outstanding, (g) \$18,675,000 principal amount of its Water and Sewer System Revenue Refunding Bonds, Series 2005, which are currently outstanding in the principal amount of \$17,895,000, and (h) \$22,285,000 principal amount of its Water and Sewer System Revenue Bonds, Series 2006, which are currently outstanding in the principal amount of \$20,555,000, pursuant to the Act and an amended and restated bond order adopted on September 13, 2001 (the Amended and Restated Bond Order, and any orders supplemental thereto and amendatory thereof, being hereinafter referred to as the “Order”); and

**WHEREAS**, Section 2.08 of the Order authorizes the issuance of revenue refunding bonds of OWASA in one or more series from time to time for refunding all or any part of the outstanding revenue bonds of any series issued under the Order or, to the extent permitted by law, other indebtedness; and

**WHEREAS**, OWASA has determined that it is desirable to refund all or a portion of the callable maturities of the outstanding Series 2001 Bonds and the outstanding Series 2004A Bonds and to pay the cost of such refunding by issuing an additional series of revenue refunding bonds and using any other available funds as authorized by Section 2.08 of the Order; and

**WHEREAS**, OWASA has determined that it will be able to satisfy the requirements of Section 2.08 of the Order with respect to the issuance of such series of revenue refunding bonds; and

**WHEREAS**, pursuant to Section 2.08 of the Order, such series of revenue refunding bonds is to have such terms and provisions as may be provided by a series resolution to be adopted by OWASA prior to the issuance thereof;

**NOW, THEREFORE, THE ORANGE WATER AND SEWER AUTHORITY  
DOES HEREBY DETERMINE AND RESOLVE, as follows:**

Section 1. Definitions. Unless otherwise required by the context, capitalized words and terms used in this Resolution (this "Series Resolution") and not otherwise defined herein shall have the same meanings in this Series Resolution as such words and terms are given in the Order, and the following words and terms shall have the following meanings:

"Bond Registrar" means The Bank of New York Mellon Trust Company, N.A. as designated by Section 2 of this Series Resolution, or any successor.

"Bond Year" means the period commencing on July 1 of any year and ending on June 30 of the following year.

"Business Day" means a day on which the Trustee, the Bond Registrar and the New York Stock Exchange are open for the purpose of conducting their businesses.

"Closing" means the delivery of and payment for the Series 2010 Bonds.

"Closing Date" means the date of the Closing.

"Costs of Issuance Account" means the account created and so designated by Section 5 of this Series Resolution.

"Escrow Agent" means The Bank of New York Mellon Trust Company, N.A., and any successor thereto under the Escrow Deposit Agreements.

"Escrow Deposit Agreements" means, collectively, the Series 2001 Escrow Deposit Agreement and the Series 2004A Escrow Deposit Agreement.

"Interest Payment Date" means January 1, 2011, and each January 1 and July 1 thereafter, to and including the final maturity date of the Series 2010 Bonds.

"Regular Record Date" means the 15th day of the month preceding any Interest Payment Date, whether or not a Business Day.

"Securities Depository" means The Depository Trust Company, New York, New York, or other recognized securities depository selected by OWASA, which maintains a

book-entry system in respect of the Series 2010 Bonds, and shall include any substitute for or successor to the securities depository initially acting as Securities Depository.

“Securities Depository Nominee” means, as to any Securities Depository, such Securities Depository or the nominee of such Securities Depository in whose name there shall be registered on the registration books maintained by the Bond Registrar the Series 2010 Bond certificates to be delivered to such Securities Depository or its custodian during the continuation with such Securities Depository of participation in its book-entry system.

“Series Certificate” shall have the meaning given to such term by Section 4 of this Series Resolution.

“Series 2001 Escrow Fund” means the Escrow Fund created pursuant to the Series 2001 Escrow Deposit Agreement.

“Series 2001 Escrow Deposit Agreement” means the Escrow Deposit Agreement, dated as of September 1, 2010, by and between OWASA and the Escrow Agent, relating to the payment of the Series 2001 Bonds to be refunded.

“Series 2004A Escrow Fund” means the Escrow Fund created pursuant to the Series 2004A Escrow Deposit Agreement.

“Series 2004A Escrow Deposit Agreement” means the Escrow Deposit Agreement, dated as of September 1, 2010, by and between OWASA and the Escrow Agent, relating to the payment of the Series 2004A Bonds to be refunded.

“Series 2010 Bonds” means OWASA’s Water and Sewer System Revenue Refunding Bonds, Series 2010.

“Series 2010 Subaccount of the Interest Account” means the subaccount created and so designated by Section 5 of this Series Resolution.

“Series 2010 Subaccount of the Principal Account” means the subaccount created and so designated by Section 5 of this Series Resolution.

“Series 2010 Subaccount of the Redemption Account” means the subaccount created and so designated by Section 5 of this Series Resolution.

“Series 2010 Subaccount of the Sinking Fund Account” means the subaccount created and so designated by Section 5 of this Series Resolution.

“Sinking Fund Requirement” means, with respect to the Series 2010 Bonds that are Term Bonds, if any, for any Bond Year, the principal amount fixed or computed for retirement by purchase or redemption on or prior to July 1 of the following Bond Year.

The Sinking Fund Requirements shall be initially the respective principal amounts set forth in the Series Certificate.

The aggregate amount of such Sinking Fund Requirements for the Term Bonds, together with the amount due upon the final maturity of such Term Bonds, shall be equal to the aggregate principal amount of the Term Bonds. The Sinking Fund Requirements for the Term Bonds shall begin in the Bond Year determined as provided in the Series Certificate and shall end with the Bond Year immediately preceding the maturity of such Term Bonds (such final installment being payable at maturity and not redeemed). Any principal amount of Term Bonds retired by operation of the Series 2010 Subaccount of the Sinking Fund Account by purchase in excess of the total amount of the Sinking Fund Requirement for such Term Bonds, to and including such July 1, shall be credited against and reduce the future Sinking Fund Requirements for such Term Bonds in such manner as shall be specified in an Officer's Certificate filed with the Trustee pursuant to Section 6 of this Series Resolution.

On or before the 45th day next preceding any July 1 on which Term Bonds are to be retired pursuant to the Sinking Fund Requirement, OWASA may deliver to the Trustee for cancellation Term Bonds required to be redeemed on such July 1 in any aggregate principal amount desired and receive a credit against amounts required to be transferred from the Series 2010 Subaccount of the Sinking Fund Account on account of such Term Bonds in the amount of 100% of the principal amount of any such Term Bonds so purchased. Any principal amount of Term Bonds purchased by the Trustee and cancelled in excess of the principal amount required to be redeemed on such July 1, shall be credited against and reduce the principal amount of future Sinking Fund Requirements in such manner as shall be specified in an Officer's Certificate in substantially the form of the Officer's Certificate filed with the Trustee pursuant to Section 6 of this Series Resolution.

It shall be the duty of the Trustee, on or before the 15th day of July in each Bond Year, to recompute, if necessary, the Sinking Fund Requirement for such Bond Year and all subsequent Bond Years for the Term Bonds Outstanding. The Sinking Fund Requirement for such Bond Year as so recomputed shall continue to be applicable during the balance of such Bond Year and no adjustment shall be made therein by reason of Term Bonds purchased or redeemed or called for redemption during such Bond Year.

If any Term Bonds are paid or redeemed by operation of the Series 2010 Subaccount of the Redemption Account, the Trustee shall reduce future Sinking Fund Requirements therefor in such manner as shall be specified in an Officer's Certificate in substantially the form of the Officer's Certificate filed with the Trustee pursuant to Section 6 of this Series Resolution.

Section 2. Authorization of the Series 2010 Bonds Pursuant to the Order. (A) Series 2010 Bonds. Pursuant to the Act and Section 2.08 of the Order, OWASA hereby authorizes the issuance of revenue refunding bonds of OWASA, designated "Orange Water and Sewer Authority Water and Sewer System Revenue Refunding Bonds, Series 2010" (the "Series 2010 Bonds") in an aggregate principal amount not exceeding \$28,000,000, for the purpose of providing funds, together with other available funds, to (1) refund all or a portion of the callable maturities of (x) the outstanding Series 2001 Bonds and (y) the outstanding Series 2004A Bonds

and (2) pay certain expenses incurred in connection with the issuance of the Series 2010 Bonds. Each Series 2010 Bond shall be dated the date of its delivery.

(B) Bond Provisions. The Series 2010 Bonds may consist of Serial Bonds and Term Bonds, shall bear interest at the rates, and shall mature, subject to any optional and mandatory sinking fund redemption, in the amounts and on the dates, all as hereinafter provided.

(C) Details; Interest Payment Dates. The Series 2010 Bonds shall be numbered consecutively from R2010-1 upward, shall be in the denomination of five thousand dollars (\$5,000) and integral multiples thereof and shall be registered and exchangeable, and the transfer thereof may be registered, all in accordance with the provisions of the Order. Interest on the Series 2010 Bonds shall be payable semiannually on each January 1 and July 1, commencing on January 1, 2011, until the maturity thereof.

(D) Book-Entry. The Series 2010 Bonds shall be issued by means of a book-entry system with no physical distribution of bond certificates to be made except as hereinafter provided. One bond certificate with respect to each date on which the Series 2010 Bonds are stated to mature, in the aggregate principal amount of the Series 2010 Bonds stated to mature on such date and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), will be issued and required to be deposited with DTC or its custodian. The book-entry system will evidence ownership of the Series 2010 Bonds in the principal amount of \$5,000 or any multiple thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. The principal of and any redemption premium on each Series 2010 Bond and interest with respect thereto shall be payable to Cede & Co., or any other person appearing on the registration books maintained by the Bond Registrar, as the registered owner of such Series 2010 Bond or its registered assigns or legal representatives. Transfer of principal, interest and any redemption premium payments to participants of DTC will be the responsibility of DTC, and transfer of principal, interest and any redemption premium payments to beneficial owners of the Series 2010 Bonds by participants of DTC will be the responsibility of such participants and other nominees of such beneficial owners. OWASA, the Bond Registrar and the Trustee shall not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing records maintained by DTC, its participants or persons acting through such participants.

In the event that (a) DTC determines not to continue to act as Securities Depository for the Series 2010 Bonds or (b) OWASA determines that continuation of the book-entry system of evidence and transfer of ownership of the Series 2010 Bonds would adversely affect the interests of the beneficial owners of the Series 2010 Bonds, OWASA shall discontinue the book-entry system with DTC. If OWASA identifies another qualified Securities Depository to replace DTC, OWASA shall make arrangements with DTC and such other Securities Depository to effect such replacement and deliver replacement Series 2010 Bonds registered in the name of such other Securities Depository or its Securities Depository Nominee in exchange for the outstanding Series 2010 Bonds, and the references to DTC or Cede & Co. in this Series Resolution shall thereupon be deemed to mean such other Securities Depository or its Securities Depository Nominee. If OWASA fails to identify another qualified Securities Depository to replace DTC,



OWASA shall deliver replacement Series 2010 Bonds in the form of fully registered certificates in the denomination of \$5,000 or any multiple thereof in exchange for the outstanding Series 2010 Bonds as required by DTC.

(E) Bond Registrar. The Bank of New York Mellon Trust Company, N.A. is hereby appointed Bond Registrar for the Series 2010 Bonds.

Section 3. Delegation and Standards. OWASA hereby delegates to the Chair, the Vice-Chair, the Executive Director or the Director of Finance and Customer Service of OWASA, subject to the limitations contained herein, the power to determine and carry out the following with respect to the Series 2010 Bonds:

(A) Principal Amount. To determine the aggregate principal amount of the Series 2010 Bonds, such principal amount, not to exceed \$28,000,000, to be sufficient for the purposes described in Section 2(A) of this Series Resolution;

(B) Interest Rates. To determine the interest rate or rates on the Series 2010 Bonds, no such rate to exceed six percent (6.00 %) per annum;

(C) Maturities and Maturity Amounts. To determine the maturities and maturity amounts of the Series 2010 Bonds, no such maturity to extend beyond July 1, 2026;

(D) Serial and Term Bonds. To determine which Series 2010 Bonds are Serial Bonds, if any, and which Series 2010 Bonds are Term Bonds, if any, and the Sinking Fund Requirements for any such Term Bonds;

(E) Redemption Provisions. To determine the optional redemption provisions for the Series 2010 Bonds; provided, however, that the Series 2010 Bonds shall be made callable not later than 10 ½ years from their date and that the redemption price shall not exceed 103% of the face amount of the Series 2010 Bonds to be redeemed;

(F) Date of Sale. To determine the date of the sale of the Series 2010 Bonds;

(G) Negotiated Sale. To approve the sale of the Series 2010 Bonds in a negotiated sale in accordance with the provisions of Section 16 of this Series Resolution; provided, however, that the true interest cost for the Series 2010 Bonds shall not exceed five percent (5.00%) per annum and, provided further, that the price for the Series 2010 Bonds shall not be less than ninety-nine percent (99.00%) of the par amount of the Series 2010 Bonds, less the amount of original issue discount, if any, plus the amount of original issue premium on the Series 2010 Bonds, if any;

(H) Series 2001 Bonds and Series 2004A Bonds to be Refunded. To determine the callable maturities and principal amounts of the Series 2001 Bonds and Series 2004A Bonds to be refunded with a portion of the proceeds of the Series 2010 Bonds; provided, however, that the net present value savings resulting from such refunding shall be not less than two and one-half

percent (2.50%) in the aggregate and shall not be less than two and one-half percent (2.50%) with respect to each such Series of Bonds or the portions thereof to be refunded; and

(I) Other Provisions. To determine any other provisions deemed advisable and not in conflict with the provisions of this Series Resolution or the Order.

Section 4. Series Certificate. The Chair, the Vice-Chair, the Executive Director or the Director of Finance and Customer Service of OWASA shall execute a certificate or certificates (collectively, the "Series Certificate") evidencing the determinations or other actions taken by him pursuant to the authority granted in this Series Resolution, and any such Series Certificate shall be conclusive evidence of the action taken.

Section 5. Establishment of Account and Subaccounts. The following accounts and subaccounts are hereby established:

- (a) Series 2010 Subaccount of the Interest Account;
- (b) Series 2010 Subaccount of the Principal Account;
- (c) Series 2010 Subaccount of the Redemption Account;
- (d) Series 2010 Subaccount of the Sinking Fund Account; and
- (e) Orange Water and Sewer Authority Water and Sewer System Revenue Refunding Bonds, Series 2010 Costs of Issuance Account.

The account and subaccounts mentioned above shall be established with and held by the Trustee pursuant to the Order and this Series Resolution.

Section 6. Sinking Fund Redemption Provisions for the Series 2010 Bonds. The Series 2010 Bonds that are Term Bonds, if any, shall be subject to mandatory redemption in part on each July 1, as specified in the Series Certificate required by Section 4 of this Series Resolution.

Money held in the Series 2010 Subaccount of the Sinking Fund Account shall be applied during each Bond Year to the purchase or retirement of Term Bonds then Outstanding as follows:

- (a) The Trustee shall, at the request of OWASA, endeavor to purchase and cancel Term Bonds or portions thereof subject to redemption by operation of the Series 2010 Subaccount of the Sinking Fund Account or maturing on the next ensuing July 1 at the most advantageous price obtainable with reasonable diligence. The purchase price of each such Term Bond shall not exceed par plus accrued interest to the date of purchase. The Trustee shall pay the interest accrued on such Term Bonds to the date of settlement therefor from the Series 2010 Subaccount of the Interest Account or other funds provided by OWASA and the balance of the purchase price from the Series 2010 Subaccount of the Sinking Fund Account, but no such purchase shall be made by the Trustee from money in the Series 2010 Subaccount of the Sinking Fund Account within the period of forty-five (45) days immediately preceding any July

1 on which such Term Bonds are subject to redemption. The aggregate purchase price of Term Bonds, exclusive of accrued interest, during such Bond Year shall not exceed the amount deposited in the Series 2010 Subaccount of the Sinking Fund Account on account of the Sinking Fund Requirement for the Term Bonds for such Bond Year. If in any Bond Year the sum of the amount on deposit in the Series 2010 Subaccount of the Sinking Fund Account for the payment of any Term Bonds and the principal amount of the Term Bonds that were purchased during such Bond Year pursuant to the provisions of this paragraph (a) or delivered during such Bond Year to the Trustee by OWASA exceeds the Sinking Fund Requirement for the Outstanding Term Bonds for such Bond Year, the Trustee shall endeavor to purchase Outstanding Term Bonds with such excess money; and

(b) The Trustee shall call for redemption on July 1 immediately following the then current Bond Year the Term Bonds then subject to redemption in a principal amount equal to the aggregate Sinking Fund Requirement for the Term Bonds for such Bond Year, less the principal amount of any such Term Bonds retired during such Bond Year by purchase pursuant to paragraph (a) of this Section or delivered during such Bond Year to the Trustee by OWASA. If such July 1 is the stated maturity date of any such Term Bonds, the Trustee shall not call such Term Bonds for redemption but, on such maturity date, shall withdraw from the Sinking Fund Account and, not later than 10:00 A.M. on such date, remit by wire transfer to the Bond Registrar, in Federal Reserve or other immediately available funds, the amount required for paying the principal of such Term Bonds when due and payable. Not later than 10:00 A.M. on each such redemption date, the Trustee shall withdraw from the Series 2010 Subaccount of the Sinking Fund Account and remit by wire transfer to the Bond Registrar, in Federal Reserve or other immediately available funds, the respective amounts required for paying the Redemption Price of the Term Bonds or portions thereof so called for redemption.

If, in any Bond Year, by the application of money in the Series 2010 Subaccount of the Sinking Fund Account, the Trustee should purchase or receive from OWASA and cancel Term Bonds in excess of the aggregate Sinking Fund Requirement for such Bond Year, the Trustee shall file with OWASA not later than the twentieth (20th) day prior to the next July 1 on which Term Bonds are to be redeemed, a statement identifying the Term Bonds purchased or delivered during such Bond Year and the amount of such excess. OWASA shall thereafter cause an Officer's Certificate to be filed with the Trustee not later than the tenth (10th) day prior to such July 1, setting forth with respect to the amount of such excess the Bond Years in which the Sinking Fund Requirements with respect to Term Bonds are to be reduced and the amount by which the Sinking Fund Requirements so determined are to be reduced.

Upon the retirement of any Term Bonds by purchase or redemption pursuant to the provisions of this Section, the Trustee shall file with OWASA a statement identifying such Term Bonds and setting forth the date of purchase or redemption, the amount of the purchase price or the Redemption Price of such Term Bonds, and the amount paid as interest thereon. The expenses incurred in connection with the purchase or redemption of any such Term Bonds shall be paid by OWASA as Current Expenses or from any other available moneys.

Section 7. Selection of Series 2010 Bonds for Redemption. The Series 2010 Bonds shall be redeemed only in whole multiples of five thousand dollars (\$5,000). If less than all of the

Series 2010 Bonds are to be called for redemption, the Series 2010 Bonds to be so redeemed shall be called for redemption in the manner that OWASA shall determine as set forth in an Officer's Certificate filed with the Trustee.

If less than all of the Series 2010 Bonds of any one maturity are called for redemption, the Bond Registrar shall select the Series 2010 Bonds to be redeemed by lot, each five thousand dollar (\$5,000) portion of principal being counted as one Series 2010 Bond for this purpose; provided, however, that so long as the only registered owner of the Series 2010 Bonds is a Securities Depository Nominee, such selection shall be made by the Securities Depository.

Section 8. Redemption Notice. Not less than thirty (30) days but not more than sixty (60) days prior to the redemption date of any Series 2010 Bonds to be redeemed, whether such redemption be in whole or in part, the Bond Registrar shall cause a notice of any such redemption signed by the Bond Registrar to be mailed, first class, postage prepaid, to all Owners of Series 2010 Bonds to be redeemed in whole or in part, provided that notice to any Securities Depository shall be sent by registered or certified mail and provided further that failure to mail any such notice to any Owner or any defect in such notice shall not affect the validity of the proceedings for such redemption as to the Series 2010 Bonds of any other Owner to whom such notice has been properly given. The Bond Registrar shall also give such notice of redemption, by certified or registered mail, to the North Carolina Local Government Commission, at least one securities depository and at least two national information services which disseminate redemption information, but failure to mail such notice or any defect therein shall not affect the validity of any proceedings for the redemption of any Series 2010 Bonds.

Each such notice shall set forth the designation and date of the Series 2010 Bonds, the CUSIP numbers of the Series 2010 Bonds to be redeemed, the date fixed for redemption, the Redemption Price to be paid, the address and phone number of the Trustee and Bond Registrar, the date of the redemption notice, the maturities of the Series 2010 Bonds to be redeemed and, if less than all of the Series 2010 Bonds of any one maturity then Outstanding shall be called for redemption, the distinctive numbers and letters, if any, of such Series 2010 Bonds to be redeemed and, in the case of Series 2010 Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. If any Series 2010 Bond is to be redeemed in part only, the notice of redemption shall also state also that on or after the redemption date, upon surrender of such Series 2010 Bond, a new Series 2010 Bond in principal amount equal to the unredeemed portion of such Series 2010 Bond will be issued.

Any notice of redemption (other than a notice given with respect to a mandatory sinking refund redemption) may state that the redemption to be effected is conditioned upon the receipt by the Trustee or Bond Registrar, on or prior to the redemption date, of moneys sufficient to pay the Redemption Price of and interest on the Series 2010 Bonds to be redeemed and that if such moneys are not so received such notice shall be of no force or effect and such 2003 Bonds shall not be required to be redeemed. In the event that such notice contains such a condition and moneys sufficient to pay the Redemption Price of and interest on such Series 2010 Bonds are not received by the Trustee or Bond Registrar on or prior to the redemption date, the redemption shall not be made and the Bond Registrar shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Section 9. Series 2010 Subaccount of the Redemption Account. The Trustee shall apply money in the Series 2010 Subaccount of the Redemption Account to the purchase or redemption of Series 2010 Bonds as follows:

(a) Subject to the provisions of paragraph (c) of this Section, the Trustee shall endeavor to purchase and cancel Series 2010 Bonds or portions thereof, regardless of whether such Series 2010 Bonds or portions thereof are then subject to redemption, at the most advantageous price obtainable with reasonable diligence, provided that the purchase price of each Series 2010 Bond shall not exceed the Redemption Price that would be payable on the next redemption date to the Owner of such Series 2010 Bond under the provisions of the Series Certificate. The Trustee shall pay the interest accrued on such Series 2010 Bonds or portions thereof to the date of settlement from the Series 2010 Subaccount of the Interest Account or other funds provided by OWASA and the balance of the purchase price from the Series 2010 Subaccount of the Redemption Account, but no such purchase shall be made by the Trustee from money in the Series 2010 Subaccount of the Redemption Account within the period of forty-five (45) days immediately preceding any date on which such Series 2010 Bonds or portions thereof are to be redeemed.

(b) Subject to the provisions of paragraph (c) of this Section, the Trustee shall call for redemption on a date permitted by this Series Resolution and the Series Certificate such amount of Series 2010 Bonds or portions thereof as, with the redemption premium, if any, will exhaust the money then held in the Series 2010 Subaccount of the Redemption Account as nearly as may be practicable; provided, however, that not less than Fifty Thousand Dollars (\$50,000) in principal amount of the Series 2010 Bonds shall be called for redemption at any one time unless the Trustee is so instructed by OWASA. The Trustee shall pay the accrued interest on the Series 2010 Bonds or portions thereof to be redeemed to the date of redemption from the Series 2010 Subaccount of the Interest Account or other funds provided by OWASA and the Redemption Price of such Series 2010 Bonds or portions thereof from the Series 2010 Subaccount of the Redemption Account. The Trustee shall withdraw from the Series 2010 Subaccount of the Redemption Account and set aside the amount required to pay the Redemption Price of the Series 2010 Bonds or portions thereof so called for redemption.

(c) Money in the Series 2010 Subaccount of the Redemption Account shall be applied by the Trustee in each Fiscal Year to the purchase or the redemption of Series 2010 Bonds then Outstanding in accordance with the latest Officer's Certificate filed with the Trustee designating the Series 2010 Bonds to be redeemed. In the event no such certificate is filed (i) the Trustee shall apply such money to the purchase of Series 2010 Bonds bearing the highest rate of interest, (ii) if Series 2010 Bonds of more than one maturity bear the same interest rate, the Trustee shall redeem such Series 2010 Bonds in the inverse order of maturities, and (iii) if the Series 2010 Bonds bearing the highest rate of interest are Term Bonds, the Trustee shall reduce the Sinking Fund Requirements for such Term Bonds in inverse order of the scheduled redemption of such Term Bonds.

Upon the retirement of any Series 2010 Bonds by purchase or redemption pursuant to the provisions of this Section, the Trustee shall file with OWASA a statement identifying such Series 2010 Bonds and setting forth the date of purchase or redemption, the amount of the

purchase price or the Redemption Price of such Bonds and the amount paid as interest thereon. The expenses incurred by the Trustee in connection with the purchase or redemption of any such Series 2010 Bonds shall be paid by OWASA from the Revenue Account as Current Expenses or from any other available moneys.

Section 10. Form of Series 2010 Bond. The Series 2010 Bonds and the Certificate of the North Carolina Local Government Commission and the Certificate of Authentication to be endorsed on all the Series 2010 Bonds shall be substantially in the following forms, with such variations, omissions and insertions as are required or permitted by the Order or this Series Resolution:

[Form of Series 2010 Bond]

No. R2010-\_\_ \$ \_\_\_\_\_

United States of America  
State of North Carolina

ORANGE WATER AND SEWER AUTHORITY

Water and Sewer System Revenue Refunding Bond,  
Series 2010

<u>Maturity Date</u>	<u>Dated Date</u>	<u>Interest Rate</u>	<u>CUSIP</u>
July 1, 20__	_____, 2010	___%	_____

Principal Amount: \_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_)

Registered Owner:

The Orange Water and Sewer Authority (the "Authority"), a public body and body politic and corporate of the State of North Carolina, is justly indebted and for value received hereby promises to pay, solely from the sources and in the manner hereinafter set forth, to the Registered Owner shown above or registered assigns or legal representative, on the maturity date specified above (or earlier as stated hereinafter), upon the presentation and surrender hereof at the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A., in East Syracuse, New York, or any successor bond registrar (the "Bond Registrar"), the principal amount shown above, and to pay, solely from such sources, to the person in whose name this bond (or one or more Predecessor Bonds, as defined in the Order hereinafter mentioned) is registered at the close of business on the regular record date for such interest, which shall be the 15th day of the calendar month next preceding an interest payment date (the "Regular Record Date"), interest on this bond from the interest payment date next preceding the date on which it is authenticated, unless it is authenticated on an interest payment date, in which event it shall bear interest from such date, or it is authenticated prior to January 1, 2011, in which event it shall bear interest from its date, payable on January 1, 2011 and semiannually thereafter on January 1 and July 1 of each year, at the rate per annum specified above until the principal sum hereof is paid. Any such interest not so punctually paid shall forthwith cease to be payable to the person who was the registered owner on such Regular Record Date and may be paid to the person in whose name this bond (or one or more Predecessor Bonds) is registered at the close of business on a Special Record Date, as defined in the Order, for the payment of such defaulted interest to be fixed by the Trustee hereinafter mentioned, notice whereof being given to registered owners not more than fifteen (15) days and not less than ten (10) days prior to such Special Record Date, or may be paid in any other lawful manner not inconsistent with the requirements of applicable law or any securities exchange on which the bonds may be listed and upon such notice as may be

required by such law or exchange, all as more fully provided in the Order. All such payments shall be made in the lawful money of the United States of America.

This bond is one of a duly authorized series of revenue refunding bonds of the Authority, designated "Orange Water and Sewer Authority Water and Sewer System Revenue Refunding Bonds, Series 2010" (the "Series 2010 Bonds"), and issued for the purpose of providing funds, together with any other available funds, to (i) refund a portion of the Authority's outstanding (x) Water and Sewer System Revenue Bonds, Series 2001 (the "Series 2001 Bonds") and (y) Water and Sewer System Revenue Bonds, Series 2004A (the "Series 2004A Bonds") and (ii) pay certain expenses incurred in connection with the issuance of the Series 2010 Bonds.

The Series 2010 Bonds are being issued by means of a book-entry system with no physical distribution of bond certificates to be made except as provided in the Series Resolution. One Series 2010 Bond certificate with respect to each date on which the Series 2010 Bonds are stated to mature, registered in the name of the Securities Depository Nominee (as defined in the Series Resolution), is being issued and required to be deposited with the Securities Depository (as defined in the Series Resolution) or its custodian. The book-entry system will evidence positions held in the Series 2010 Bonds by the Securities Depository's participants, beneficial ownership of the Series 2010 Bonds in the principal amount of \$5,000 or any integral multiple thereof being evidenced in the records of such participants. Transfers of ownership will be effected on the records of the Securities Depository and its participants pursuant to rules and procedures established by the Securities Depository and its participants. The Authority, the Bond Registrar and the Trustee will recognize the Securities Depository Nominee, while the registered owner of this Series 2010 Bond, as the owner of this Series 2010 Bond for all purposes, including (i) payments of principal of, and redemption premium, if any, and interest on, this Series 2010 Bond, (ii) notices and (iii) voting. Transfer of principal, interest and any redemption premium payments to participants of the Securities Depository will be the responsibility of the Securities Depository, and transfer of principal, interest and any redemption premium payments to beneficial owners of the Series 2010 Bonds by participants of the Securities Depository will be the responsibility of such participants and other nominees of such beneficial owners. The Authority, the Bond Registrar and the Trustee will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by the Securities Depository, the Securities Depository Nominee, the Securities Depository's participants or persons acting through such participants. While the Securities Depository Nominee is the registered owner of this Series 2010 Bond, notwithstanding the provisions hereinabove contained, payments of principal of, redemption premium, if any, and interest on this Series 2010 Bond shall be made in accordance with existing arrangements between the Bond Registrar or its successors under the Series Resolution and the Securities Depository.

The Series 2010 Bonds are being issued under and pursuant to the Constitution and laws of the State of North Carolina, including the North Carolina Water and Sewer Authorities Act, as amended, and The State and Local Government Revenue Bond Act, as amended (collectively, the "Act"), an amended and restated bond order duly adopted by the Authority on September 13, 2001 (said amended and restated bond order, together with all orders supplemental and



amendatory thereto as therein permitted, being herein called the "Order") and a series resolution duly adopted by the Authority on September 9, 2010 (the "Series Resolution"). The Authority has heretofore issued and secured under the Order \$32,165,000 original aggregate principal amount of its Water and Sewer System Revenue and Revenue Refunding Bonds, Series 1993, \$15,120,000 original aggregate principal amount of its Water and Sewer System Revenue Bonds, Series 1999 Bonds, \$34,540,000 original aggregate principal amount of its Series 2001 Bonds, \$13,875,000 original aggregate principal amount of its Water and Sewer System Revenue Refunding Bonds, Series 2003 (the "Series 2003 Bonds"), \$21,265,000 original aggregate principal amount of its Series 2004A Bonds, \$20,000,000 original aggregate principal amount of its Water and Sewer System Revenue Bonds, Series 2004B (the "Series 2004B Bonds"), \$18,675,000 original aggregate principal amount of its Water and Sewer System Revenue Refunding Bonds, Series 2005 (the "Series 2005 Bonds") and \$22,285,000 original aggregate principal amount of its Water and Sewer System Revenue Bonds, Series 2006 (the "Series 2006 Bonds"). The Order provides for the issuance from time to time under the conditions, limitations and restrictions therein set forth of additional bonds to provide funds for paying all or any part of the cost of any Additional Project (as defined in the Order), to provide funds for completing payment of the cost of the Project (as defined in the Order) and any Additional Project, and to provide funds to pay the cost (including financing costs) of refunding any bonds issued under the Order, Parity Debt (as defined in the Order) or Subordinated Indebtedness (as defined in the Order) (such additional bonds, the Series 2010 Bonds, the Series 2006 Bonds, the Series 2005 Bonds, the unrefunded portion of the Series 2004A Bonds, the Series 2004B Bonds, the Series 2003 Bonds and the unrefunded portion of the Series 2001 Bonds being herein collectively called the "Bonds"). Copies of the Order and the Series Resolution are on file at the corporate trust office of The Bank of New York Mellon Trust Company, N.A. (the "Trustee") in Jacksonville, Florida. By the acceptance of this bond, the registered owner hereof assents to all of the provisions of the Order and the Series Resolution.

The Series 2010 Bonds are special obligations of the Authority secured by a pledge, charge and lien upon Net Receipts (as defined in the Order). The Authority is not obligated to pay the principal of or the interest on the Series 2010 Bonds except, as provided in the Order, from Net Receipts or certain other monies made available therefor under the Order, and neither the faith and credit nor the taxing power of the State of North Carolina or any political subdivision thereof or the Authority is pledged to the payment of the principal of and the interest on the Series 2010 Bonds. The Order provides for the issuance or incurrence from time to time under the conditions, limitations and restrictions therein set forth of Bonds and Parity Debt (as defined in the Order) secured on a parity as to the pledge of Net Receipts.

Reference is made to the Order and the Series Resolution for a more complete statement of the provisions thereof and of the rights of the Authority, the Trustee and the registered owners of the Series 2010 Bonds.

The Order provides for the creation of a special fund designated "Orange Water and Sewer Authority Water and Sewer System Revenue Bonds Bond Fund" (the "Bond Fund"). Pursuant to the Series Resolution, special subaccounts have been created within the various accounts of the Bond Fund with respect to the Series 2010 Bonds (the "Subaccounts"), which

Subaccounts are pledged to and charged with the payment of the principal of and the interest on the Series 2010 Bonds. The Series Resolution also provides for the deposit of Net Receipts to the credit of the Subaccounts to the extent and in the manner provided in the Order and the Series Resolution.

The Series 2010 Bonds are issuable as registered bonds without coupons, in denominations of \$5,000 or any integral multiple thereof. At the principal corporate trust office of the Bond Registrar, in the manner and subject to the limitations and conditions provided in the Order, Series 2010 Bonds may be exchanged for an equal aggregate principal amount of Bonds of the same maturity, of authorized denominations and bearing interest at the same rate.

The transfer of this bond is registrable by the registered owner hereof in person or by his attorney or legal representative at the principal corporate trust office of the Bond Registrar but only in the manner and subject to the limitations and conditions provided in the Order and upon surrender and cancellation of this bond. Upon any such registration of transfer the Authority shall execute and the Bond Registrar shall authenticate and deliver in exchange for this bond a new Series 2010 Bond or Series 2010 Bonds, registered in the name of the transferee, of authorized denominations, in aggregate principal amount equal to the principal amount of this bond, of the same maturity and bearing interest at the same rate. The Authority or the Bond Registrar may make a charge for every such exchange or registration of transfer of Series 2010 Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge shall be made to any registered owner for the privilege of exchanging or registering the transfer of Series 2010 Bonds. Neither the Authority nor the Bond Registrar shall be required to make any such exchange or registration of transfer of Series 2010 Bonds during the fifteen (15) days immediately preceding the date of first giving of notice of any redemption of Series 2010 Bonds or any portion thereof or of any Series 2010 Bond after such Series 2010 Bond or any portion thereof has been selected for redemption.

The Series 2010 Bonds maturing on or after July 1, 20\_\_ are subject to redemption, at the option of the Authority, on or after July 1, 20\_\_, in whole or in part (by lot within a maturity) at any time. Any such redemption will be at the redemption prices (expressed as a percentage of the principal amount of Series 2010 Bonds to be redeemed), plus accrued interest thereon to the redemption date, all as set forth in the following table:

<u>Redemption Periods</u>	<u>Redemption Prices</u>
July 1, 20__ through June 30, 20__	%
July 1, 20__ through June 30, 20__	
July 1, 20__ and thereafter	

The Series 2010 Bonds at the time outstanding that are stated to mature on July 1, 20\_\_ are required to be redeemed in part by lot on July 1, 20\_\_ and on each July 1 thereafter from moneys deposited with the Trustee for such purpose. Such redemption shall be at a redemption price equal to 100% of the principal amount of the Series 2010 Bonds to be redeemed, plus accrued interest thereon to the redemption date.

If less than all of the Series 2010 Bonds are to be called for redemption, the Series 2010 Bonds to be so redeemed shall be called for redemption in the manner that the Authority shall determine as set forth in an Officer's Certificate filed with the Trustee. If less than all of the Series 2010 Bonds of any one maturity are called for redemption, the Bond Registrar shall select the Series 2010 Bonds to be redeemed by lot, each \$5,000 portion of principal being counted as one Series 2010 Bond for this purpose; provided, however, that so long as the only registered owner of the Series 2010 Bonds is the Securities Depository Nominee, such selection shall be made by the Securities Depository.

Not less than thirty (30) days but not more than sixty (60) days prior to the redemption date of any Series 2010 Bonds, either in whole or in part, the Bond Registrar shall cause a notice of any such redemption, signed by the Bond Registrar, to be mailed, first-class, postage prepaid, to all registered owners of Series 2010 Bonds or portions of Series 2010 Bonds to be redeemed at their addresses as they appear on the registration books maintained by the Bond Registrar, but failure so to mail any such notice shall not affect the validity of the proceedings for such redemption as to any registered owners to whom such notice was given as so required. The Bond Registrar shall also cause a notice of any such redemption to be given to such other parties as provided in the Series Resolution. On the date designated for redemption, notice having been given as aforesaid, the Series 2010 Bonds or portions of Series 2010 Bonds so called for redemption shall become and be due and payable at the redemption price provided for the redemption of such Series 2010 Bonds or portions thereof on such date, and, if the moneys for payment of the redemption price and the accrued interest are held by the Bond Registrar, as provided in the Order, interest on such Series 2010 Bonds or portions thereof shall cease to accrue, such Series 2010 Bonds or portions thereof shall cease to be entitled to any benefit or security under the Order, and the registered owners thereof shall have no rights in respect of such Series 2010 Bonds or portions thereof except to receive payment of the redemption price thereof and the accrued interest so held by the Bond Registrar. If a portion of this bond shall be called for redemption, a new Series 2010 Bond or Series 2010 Bonds in principal amount equal to the unredeemed portion hereof will be issued to the registered owner upon surrender hereof.

With respect to any notice of redemption of Series 2010 Bonds (other than a notice given with respect to a mandatory sinking fund redemption), such notice may state that such redemption shall be conditional upon the receipt by the Trustee or the Bond Registrar, on or prior to the date fixed for such redemption, of moneys sufficient to pay the redemption price of and accrued interest on such Series 2010 Bonds to be redeemed, and that if such moneys shall not have been so received, said notice shall be of no force and effect and the Authority shall not be required to redeem such Series 2010 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Bond Registrar shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

The registered owner of this bond shall have no rights to enforce the provisions of the Order or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Order or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Order.

In certain events, on the conditions, in the manner and with the effect set forth in the Order, the principal of all the Bonds and Parity Debt then outstanding under the Order may become or may be declared due and payable before the stated maturities thereof, together with the interest accrued thereon.

Modifications or alterations of the Order may be made by the Authority only to the extent and in the circumstances permitted by the Order.

As declared by the Act, this bond, subject only to the provisions for registration and registration of transfer stated herein and contained in the Order, is an investment security within the meaning of and for all the purposes of Article 8 of the Uniform Commercial Code of the State of North Carolina.

This bond is issued with the intent that the laws of the State of North Carolina shall govern its construction.

All acts, conditions and things required by the Constitution and laws of the State of North Carolina, the Order and the Series Resolution to happen, exist and be performed precedent to and in the issuance of this bond have happened, exist and have been performed as so required.

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

**IN WITNESS WHEREOF**, the Orange Water and Sewer Authority has caused this bond to be signed by its Chair and its Secretary and the corporate seal of the Authority to be impressed hereon, all as of the \_\_\_ day of \_\_\_\_\_, 2010.

[Seal]

ORANGE WATER AND SEWER AUTHORITY

By: \_\_\_\_\_  
Chair

By: \_\_\_\_\_  
Secretary

**CERTIFICATE OF LOCAL GOVERNMENT COMMISSION**

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

\_\_\_\_\_  
Secretary, Local Government Commission  
of North Carolina

CERTIFICATE OF AUTHENTICATION

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

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Bond Registrar

By: \_\_\_\_\_ Vice President

Date of authentication: \_\_\_\_\_

ASSIGNMENT

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

\_\_\_\_\_

[Please Print or Typewrite Name and Address of Transferee]

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

Dated: \_\_\_\_\_

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

Signature Guaranteed:

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

Section 11. Costs of Issuance Account. On the Closing Date, there shall be deposited to the Costs of Issuance Account the amount specified in clause (iii) of Section 12 of this Series Resolution. Money shall be disbursed from the Costs of Issuance Account, upon requisition of OWASA, for the purpose of paying the costs of issuance of the Series 2010 Bonds and, pending such disbursement, shall be held solely for the security of the Owners of the Series 2010 Bonds. Any balance remaining on deposit to the credit of the Costs of Issuance Account after the payment of the costs of issuance of the Series 2010 Bonds, as certified to the Trustee by an Authorized Officer of OWASA, shall be applied to such use or uses as shall be set forth in a

written statement delivered to the Trustee by OWASA accompanied by an opinion of bond counsel to OWASA addressed to the Trustee to the effect that the proposed use or uses will not cause the interest on the Series 2010 Bonds to be includable in the gross income of the owners thereof for purposes of federal income taxation. In the event OWASA does not deliver an opinion of bond counsel as required by the preceding sentence, the Trustee shall transfer the money in excess of the amount then needed for Costs of Issuance to the Series 2010 Subaccount of the Principal Account and/or the Series 2010 Subaccount of the Sinking Fund Account, as determined by OWASA.

Section 12. Application of Proceeds of the Series 2010 Bonds. On the Closing Date, the Trustee shall apply the proceeds of the Series 2010 Bonds as follows:

- (i) the amount specified in the Series 2001 Escrow Deposit Agreement shall be transferred to the Escrow Agent for deposit to the credit of the Series 2001 Escrow Fund;
- (ii) the amount specified in the Series 2004A Escrow Deposit Agreement shall be transferred to the Escrow Agent for deposit to the credit of the Series 2004A Escrow Fund; and
- (iii) the balance of such proceeds shall be deposited to the credit of the Costs of Issuance Account.

Section 13. Application of Net Receipts. On or before the dates set forth below, OWASA shall, subject to the provisions of the Order, deposit or cause to be deposited, from Net Receipts held in the Revenue Account, with the Trustee the following amounts, and the Trustee shall apply such amounts to the various subaccounts and account specified in this Series Resolution in the following order:

- (a) into the Series 2010 Subaccount of the Interest Account, on the Business Day immediately preceding each Interest Payment Date, an amount equal to the interest payable on the Series 2010 Bonds on such Interest Payment Date;
- (b) into the Series 2010 Subaccount of the Principal Account, on the Business Day immediately preceding each July 1, beginning in the year specified in the Series Certificate, an amount equal to the principal of all Series 2010 Bonds that are Serial Bonds, if any, due on such July 1; and
- (c) into the Sinking Fund Account, on the Business Day immediately preceding each July 1, beginning in the year specified in the Series Certificate, the amount required to retire the Series 2010 Bonds that are Term Bonds, if any, to be called by mandatory redemption or to be paid at maturity on such July 1 in accordance with the Sinking Fund Requirement therefor.

In addition, the Trustee shall deposit to the credit of the Series 2010 Subaccount of the Redemption Account all amounts as shall be delivered to the Trustee by OWASA from time to time with instructions that such amounts be so deposited for the redemption of the Series 2010 Bonds.

Section 14. Investment of Money. Money held for the credit of the Costs of Issuance Account and the subaccounts established by this Series Resolution shall be continuously invested and reinvested by the Trustee in Investment Obligations to the extent practicable. Any such Investment Obligations shall mature not later than the respective dates when the money held for the credit of such accounts or subaccounts will be required for the purposes intended. No Investment Obligations in any such account or subaccount may mature beyond the latest maturity date of any Series 2010 Bonds Outstanding at the time such Investment Obligations are deposited.

Investment Obligations acquired with money in or credited to any account or subaccount established hereunder shall be deemed at all times to be part of such account or subaccount. Any loss realized upon the disposition or maturity of such Investment Obligations shall be charged against such account or subaccount. The interest accruing on any such Investment Obligations and any profit realized upon the disposition or maturity of such Investment Obligations shall be credited to such account or subaccounts as follows:

<u>Accounts or Subaccounts</u>	<u>Credited to</u>
Costs of Issuance Account	Costs of Issuance Account
All Subaccounts	Respective Subaccounts

Any such interest accruing and any such profit realized shall be transferred upon the receipt thereof by OWASA or the Trustee, as the case may be, pursuant to the provisions of the Order and this Series Resolution.

An Authorized Officer shall give to the Trustee written directions respecting the investment of any money required to be invested hereunder, subject, however, to the provisions of this Section, and the Trustee shall then invest such money as so directed. The Trustee may request in writing additional direction or authorization from the Authorized Officer with respect to the proposed investment of money. Upon receipt of such directions, the Trustee shall invest, subject to the provisions of this Section, such money in accordance with such directions. The Trustee shall not be liable to OWASA for any loss suffered by OWASA as a result of or in connection with any investment in Investment Obligations made by the Trustee in good faith as instructed by or approved by an Authorized Officer.

The Trustee shall sell at the best price obtainable or, acting in a commercially reasonable manner, reduce to cash a sufficient amount of such Investment Obligations whenever it is necessary to do so in order to provide money to make any payment from any such account or subaccount. The Trustee shall not be liable or responsible for any loss resulting from any such investment.

Whenever a transfer of money between two or more of the accounts or subaccounts is permitted or required, such transfer may be made as a whole or value determined at the time of such transfer in accordance with Article VI of the Order, provided that the Investment Obligations transferred are those in which money of the receiving account or subaccount could be invested at the date of such transfer.

Section 15. Approval of Official Statement. The Preliminary Official Statement, to be dated on or about September 14, 2010, relating to the Series 2010 Bonds (the “Preliminary Official Statement”) is hereby approved. OWASA hereby ratifies the use and distribution of the Preliminary Official Statement by Wells Fargo Bank, National Association (the “Underwriter”). OWASA authorizes and consents to the preparation and distribution of a final Official Statement relating to the Series 2010 Bonds (the “Official Statement”), in substantially the form of the Preliminary Official Statement, together with such changes as are necessary to reflect the final terms of the Series 2010 Bonds. The Chair, the Vice-Chair or the Executive Director of OWASA is hereby authorized and directed to execute and deliver the Official Statement, in substantially the form of the Preliminary Official Statement, together with such changes, specifications, and deletions as the Chair, the Vice-Chair or the Executive Director of OWASA, with the advice of counsel, may deem necessary and appropriate; such execution and delivery shall be conclusive evidence of the approval and authorization in all respects of the form and content thereof.

Section 16. LGC Requested to Award the Series 2010 Bonds. OWASA hereby requests that the Local Government Commission of North Carolina award the Series 2010 Bonds at negotiated sale without advertisement to the Underwriter in the amount and at the interest rates fixed pursuant to this Series Resolution at a price of not less than ninety-nine percent (99.00%) of the par amount of the Series 2010 Bonds less the amount of any original issue discount plus the amount of any original issue premium on the Series 2010 Bonds, subject to the approval thereof by the Chair, the Vice-Chair or the Executive Director of OWASA.

Section 17. Approval of Bond Purchase Agreement and Escrow Deposit Agreements. OWASA hereby approves the Bond Purchase Agreement relating to the Series 2010 Bonds (the “Bond Purchase Agreement”), in substantially the form of the draft dated August 4, 2010 and the Escrow Deposit Agreements, in substantially the form of the drafts dated September 7, 2010, and hereby authorizes the Chair, the Vice-Chair or the Executive Director of OWASA to execute the Bond Purchase Agreement and the Escrow Deposit Agreements, in substantially the forms of said respective drafts, together with such changes, modifications, insertions and deletions, as she or he, with the advice of counsel, may deem necessary and appropriate; such execution and delivery shall be conclusive evidence of the approval and authorization thereof by OWASA.

Section 18. Continuing Disclosure. OWASA hereby undertakes, for the benefit of the beneficial owners of the Series 2010 Bonds, to provide:

(A) by not later than seven months from the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 2010, to the Municipal Securities Rulemaking Board (the “MSRB”), audited financial statements of OWASA for such Fiscal Year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or, if such audited financial statements of OWASA are not available by seven months from the end of such Fiscal Year, unaudited financial statements of OWASA for such Fiscal Year to be replaced subsequently by audited financial statements of OWASA to be delivered within 15 days after such audited financial statements become available for distribution;



(B) by not later than seven months from the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 2010, to the MSRB, (i) the financial and statistical data as of a date not earlier than the end of the preceding Fiscal Year for the type of information included under the following headings and tables in Appendix A to the Official Statement relating to the Series 2010 Bonds to the extent such items are not included in the financial statements referred to in (A) above:

- (1) “Rates, Fees and Charges” (tables and other rate information therein, excluding tables showing comparative bills for surrounding municipalities and future rate increases);
- (2) “Customer Accounts” (tables therein); and
- (3) “Historical Operating Results” (table therein);

(C) in a timely manner, to the MSRB, notice of any of the following events with respect to the Series 2010 Bonds, if material:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions or events affecting the tax-exempt status of the Series 2010 Bonds;
- (7) modification to the rights of the beneficial owners of the Series 2010 Bonds;
- (8) bond calls, other than bond calls relating to any mandatory sinking fund redemptions;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Series 2010 Bonds; and
- (11) rating changes; and

(D) in a timely manner, to the MSRB, notice of a failure of OWASA to provide required annual financial information described in (A) or (B) above on or before the date specified.

OWASA shall provide the documents referred to above to the MSRB in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

OWASA may discharge its undertaking described above by transmitting the documents referred to above to any entity and any method authorized by the U.S. Securities Exchange Commission.

If OWASA fails to comply with the undertaking described above, the Trustee or any beneficial owner of the Series 2010 Bonds then Outstanding may take action to protect and enforce the rights of beneficial owners with respect to such undertaking, including an action for specific performance; provided, however, that OWASA's failure to comply with the undertaking will not constitute an event of default under the Bond Order and will not result in any acceleration of payment of the Series 2010 Bonds. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of the beneficial owners of the Series 2010 Bonds.

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

(a) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of OWASA; and

(b) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 issued under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12") as of the date of the Official Statement, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and

(c) any such modification does not materially impair the interests of the beneficial owners, as determined either by parties unaffiliated with OWASA (such as bond counsel or the Trustee), or by approving vote of the registered owners of not less than fifty-one percent (51%) in aggregate principal amount of the Series 2010 Bonds then Outstanding pursuant to the terms of the Order, as it may be amended from time to time.

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

The provisions of this Section shall terminate upon payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal of and interest on all of the Series 2010 Bonds.

Section 19. Authorization to OWASA Officials. The officers, agents and employees of OWASA and the officers and agents of the Trustee and the Bond Registrar are hereby authorized and directed to do all acts and things required of them by the provisions of the Series 2010 Bonds, the Order, the Bond Purchase Agreement, the Escrow Deposit Agreements, this Series Resolution and any other related documents or agreements for the full, punctual and complete performance of the terms, covenants, provisions and agreements therein.

Section 20. Exclusion From Gross Income Covenant. OWASA covenants that it will not take any action which will, or fail to take any action which failure will, cause interest on the Series 2010 Bonds to become includable in the gross income of the owners thereof for federal income tax purposes pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

Section 21. Effective Date. This Series Resolution shall take effect immediately upon its adoption. Notwithstanding the foregoing, if the Chair, the Vice-Chair, the Executive Director or the Director of Finance and Customer Service of OWASA shall determine that no Series 2010 Bonds shall be Term Bonds, as specified in the Series Certificate required by Section 4 of this Series Resolution, the terms and provisions of this Series Resolution with respect to Term Bonds and the mandatory redemption of Term Bonds pursuant to the Sinking Fund Requirements therefor shall be of no further force and effect.

Adopted this 9th day of September, 2010.

## **RESOLUTION DECLARING OWASA'S "RAY HEIRS" PROPERTY AS SURPLUS**

**WHEREAS**, OWASA purchased the 73 -acre Ray Heirs property (now recorded as Orange County PIN 9768-94-5089) adjacent to University Lake for \$2.2 million in September 2006 to protect the public water supply reservoir from the potentially harmful effects of development of that tract; and

**WHEREAS**, OWASA subsequently received partial reimbursement of \$1.2 million in grant proceeds from the NC Clean Water Management Trust Fund; and, pursuant to the grant agreement, dedicated a permanent and stringent conservation easement to the State of North Carolina strictly limiting use of the property, regardless of future ownership; and

**WHEREAS**, the water quality protection goal has been achieved by means of the Conservation Easement, and OWASA has no further need to retain the property in fee simple ownership for any public purpose; and

**WHEREAS**, OWASA has determined to sell the Ray property subject to the current restrictions of record and consistent with the conditions of its 2007 grant agreement with the NC Clean Water Management Trust Fund.

### **NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE ORANGE WATER AND SEWER AUTHORITY DOES HEREBY DETERMINE AND RESOLVE:**

1. That the Ray Heirs property shall be declared as surplus and listed for sale in such parcel or parcels as may maximize the revenue(s) to be received therefrom, provided such sale(s) and conveyance(s) shall be made subject to the provisions of the Conservation Easement now affecting title thereto and to any applicable contractual provisions as may attach by virtue of OWASA's contractual grant agreement with the NC Clean Water Management Trust Fund.

2. The Executive Director of OWASA is hereby authorized to list the property for sale, but prior to the execution of any offer to purchase and contract (including the sale price), deed, closing statement, and/or any other documents necessary to conclude the closing of the sale and conveyance of this property, shall gain the approval of the OWASA Board of Directors.

3. This resolution shall take effect immediately upon its passage.

Adopted this 9th day of September, 2010.