



**SERIES RESOLUTION
OF THE BOARD OF COMMISSIONERS FOR
THE TOWN OF NAGS HEAD, NORTH CAROLINA
PROVIDING FOR THE ISSUANCE OF A \$18,000,000 BEACH
NOURISHMENT SPECIAL OBLIGATION BOND, SERIES 2011
OF SAID TOWN PURSUANT TO THE PROVISIONS OF
SECTION 2.01 OF THE BOND ORDER ADOPTED BY SAID
BOARD OF COMMISSIONERS ON MARCH 21, 2011**

WHEREAS, the Board of Commissioners for the Town of Nags Head, North Carolina (the "Town") on March 21, 2011 adopted a bond order authorizing and securing beach nourishment special obligation bonds of the Town (the "Order"); and

WHEREAS, Section 2.01 of the Order authorizes the issuance of an initial series of such bonds for the purpose of providing funds, with other available funds, to pay the cost of the Project (as defined in the Order); and

WHEREAS, pursuant to Section 2.03 of the Order, such bonds are to have certain terms and provisions as may be provided by a series resolution to be adopted by said Board of Commissioners prior to the issuance thereof;

NOW, THEREFORE, THE BOARD OF COMMISSIONERS FOR THE TOWN OF NAGS HEAD, NORTH CAROLINA DOES HEREBY DETERMINE AND RESOLVE, as follows:

Section 1. Capitalized words and terms used in this resolution (this "Resolution") and not otherwise defined herein shall have the same meanings in this Resolution as such words and terms are given in the Order.

Section 2. Pursuant to the Act and Section 2.03 of the Order, such initial series of bonds shall be issued as a single bond in the principal amount of \$18,000,000, shall be designated "Town of Nags Head, North Carolina Beach Nourishment Special Obligation Bond, Series 2011" (the "Series 2011 Bond"), shall be dated its date of issuance, shall mature on April 15, 2016, subject to redemption prior to maturity as hereinafter provided, shall bear interest at the rate of 2.48% per annum and shall be numbered R11-1. Interest on the Series 2011 Bond shall be payable on October 15, 2011 and thereafter semiannually on each April 15 and October 15 until the Series 2011 Bond is paid in full.

Section 3. Except as hereinafter provided, the Series 2011 Bond shall not be subject to redemption prior to maturity.

The Series 2011 Bond shall be subject to redemption prior to maturity in whole or in part at the option of the Town on any date, upon giving the Owner not less than thirty (30) days' written notice, from any moneys that may be available for such purpose at the principal amount of the Series 2011 Bond, together with the interest accrued thereon to the date fixed for redemption, plus a premium equal to the Reinvestment Loss. "Reinvestment Loss" means the present value of the difference between (1) the amount that would have been realized by the Bank on the redeemed amount for the remaining term of the Series 2011 Bond at the Federal Reserve H.15 Statistical Release rate for the fixed-rate payers in the interest rate swaps for a term corresponding to the term of the Series 2011 Bond, interpolated to the nearest month, if necessary, that was in effect on the date of delivery of the Series 2011 Bond and (2) the amount that would be realized by the Bank by reinvesting such redeemed funds for the remaining term of the Series 2011 Bond at the Federal Reserve H.15 Statistical Release rate for fixed rate payers in interest rate swaps, interpolated to the nearest month, that was in effect on the date fixed for redemption; both discounted at the same interest rate utilized in determining the applicable amount for clause (2) above. Notwithstanding the foregoing, the redemption premium for any redemption of the Series 2011 Bond, whether in whole or in part, will be a minimum of 0.5% of the amount being redeemed and a maximum of 2% of the amount being redeemed. The Bank shall provide the Town with a written statement explaining the

calculation of the premium due, which statement shall, in absence of manifest error, be conclusive and binding on the Town. If such redemption is in part, the Town shall notify the Owner of the Amortization Requirements against which the principal amount of such redemption shall be applied, and the Bond Registrar shall keep a record thereof.

The Series 2011 Bond shall also be subject to redemption prior to maturity in part on April 15 in each of the years 2012 through 2015 in amounts equal to the respective amortization requirements therefor set out in Section 4 of this Resolution (the "Amortization Requirements"), at the principal amount of the Series 2011 Bond to be redeemed, together with accrued interest to the date fixed for redemption, without premium.

Notice of redemption of the Series 2011 Bond in amounts equal to the Amortization Requirements need not be given, unless otherwise required by law, and the Owner of the Series 2011 Bond shall not be required to present and surrender the Series 2011 Bond to the Bond Registrar for payment of the redemption price of such Bond.

Section 4. The Amortization Requirements for the Series 2011 Bond shall be as follows:

<u>April 15,</u>	<u>Amortization Requirement</u>
2012	\$3,600,000
2013	\$3,600,000
2014	\$3,600,000
2015	\$3,600,000
2016*	\$3,600,000

*Maturity

Section 5. The Series 2011 Bond shall bear interest from the interest payment date next preceding the date on which it is authenticated unless it is (a) authenticated upon an interest payment date in which event it shall bear interest from such interest payment date or (b) authenticated prior to the first interest payment date in which event it shall bear interest from its date; provided, however, that if at the time of authentication interest is in default, such Bond shall bear interest from the date to which interest has been paid.

The principal or redemption price of the Series 2011 Bond shall be payable to the Owner or his registered assigns or legal representative as the same shall become due and payable. Payment of the interest on the Series 2011 Bond shall be made by the Bond Registrar on each interest payment date to the person appearing on the registration books of the Town as the registered owner of such Bond (or the previous bond or bonds evidencing the same debt as that evidenced by such Bond) at the close of business on the record date for such interest, which shall be the 15th day (whether or not a business day) of the calendar month next preceding such interest payment date. Payment of the principal and redemption price of and interest on the Series 2011 Bond when due and payable shall be made by check or wire transfer to an address or account in the continental United States in accordance with prior written instructions filed with the Bond Registrar (which instructions shall remain in effect until revoked by subsequent written instructions).

The Town shall be obligated to the Owner for an amount equal to five percent of the amount of any payment relating to the Series 2011 Bond not made to the Owner within fifteen days of when due.

Section 6. The Series 2011 Bond issuable hereunder and the Certificate of the Local Government Commission and the Certificate of Authentication to be endorsed on the Series 2011 Bond shall be substantially in the forms set forth in Appendix A hereto, with such variations, omissions and insertions as are required or permitted by the Order.

Section 7. The Bond Registrar is hereby appointed the registrar, transfer agent and paying agent for the Series 2011 Bond, subject to the right of the Board to appoint another Bond Registrar, and as such shall keep the books of the Town for the registration, registration of transfer and payment of the Series 2011 Bond as provided in the Order and this Resolution.

Section 8. Pursuant to the provisions of clause (a) of the first paragraph of Section 5.04 of the Order, the Town shall, on or before the date when due, withdraw from the General Account moneys held for the credit of the Beach Nourishment Fund in such amounts as shall be necessary for the purpose of making the transfers or deposits to be made pursuant to clauses (a) and (b) of this Section:

(a) To the Owner of the Series 2011 Bond, such amount as is equal to the amount of interest to become due and payable on the Series 2011 Bond on the next ensuing interest payment date.

(b) To the Owner of the Series 2011 Bond, such amount as is equal to the redemption price or Amortization Requirement for the Series 2011 Bond to be redeemed on the redemption date.

Section 9. The maximum period of usefulness of the portion of the Project to be financed with the proceeds of the Series 2011 Bond is estimated as a period of ten (10) years from the date of the Series 2011 Bond.

The private sale of the Series 2011 Bond by the Commission to RBC Bank (USA) (the "Purchaser") is hereby approved. The Town Manager of the Town (the "Town Manager") or the Finance Officer may approve or make changes in the terms of the Series 2011 Bond set forth in this Resolution, provided that such changes are approved by the Commission and that the principal amount of the Series 2011 Bond does not exceed \$18,000,000, the maturity date of such Bond does not exceed April 15, 2018 and the interest rate on such Bond does not exceed 4% per annum. The Mayor, the Town Manager or the Finance Officer shall execute one or more certificates to evidence the making of such approvals or determinations, and each such certificate shall be conclusive evidence of the approvals or determinations of the Mayor, the Town Manager or the Finance Officer, as applicable, as to the matters stated therein.

Section 10. The Town shall provide to the Purchaser, within 180 days after the close of each Fiscal Year, a copy of the Town's audit report for such Fiscal Year. By July 31 and January 31 of each year, the Town shall also inform the Purchaser in writing of the balance in the Beach Nourishment Fund as of the first day of that month.

Section 11. Notwithstanding any other provisions of the Order or this Resolution, the Bond Registrar shall not register the transfer of the Series 2011 Bond to any person other than a bank, an insurance company or a similar financial institution unless such transfer has been previously approved by the Commission. This Section may not be amended without the prior written consent of the Commission.

Section 12. The officers, agents and employees of the Town are hereby authorized and directed to (a) do all acts and things required of them by the provisions of the Series 2011 Bond, the Order and this Resolution for the full, punctual and complete performance of the terms, covenants, provisions and agreements therein and herein or as otherwise required to effectuate the Project and (b) make further agreements relating hereto so long as not inconsistent hereto or materially negative to the Town..

Section 13. This Resolution shall take effect immediately upon its adoption.

APPENDIX A

[Form of Series 2011 Bond]

PRIVATE PLACEMENT

No. R11-1

\$18,000,000

United States of America
State of North Carolina

TOWN OF NAGS HEAD, NORTH CAROLINA
BEACH NOURISHMENT SPECIAL OBLIGATION BOND, SERIES 2011

<u>Maturity Date</u>	<u>Interest Rate</u>
April 15, 2016	2.48%

The Town of Nags Head, North Carolina (herein sometimes called the "Town"), a municipal corporation within the State of North Carolina, is justly indebted and for value received hereby promises to pay, solely from the sources provided therefor as hereinafter set forth, to RBC Bank (USA) 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 office of the Finance Officer of the Town or any successor bond registrar (the "Bond Registrar") the principal sum of EIGHTEEN MILLION DOLLARS in any coin or currency of the United States of America which on the date of payment thereof is legal tender for the payment of public and private debts, and to pay, solely from said sources, to the person in whose name this bond (or the previous bond or bonds evidencing the same debt as evidenced by this bond) is registered at the close of business on the regular record date for such interest, which shall be the 15th day (whether or not a business day) of the calendar month next preceding an interest payment date, by check or wire transfer to such address or account in the continental United States in accordance with prior written instructions filed with the Bond Registrar (which instructions shall remain in effect until revoked by subsequent written instructions), interest on said principal sum calculated on the basis of a 360-day year consisting of 12 months of 30 days each from the date of this bond or from the April 15 or October 15 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is a April 15 or October 15 to which interest shall have been paid, in which case from such date, on April 15 or October 15 in each year, commencing October 15, 2011, in like coin or currency, at the rate per annum specified above until payment of said principal sum, provided that, if at the time of authentication interest is in default, then interest shall be payable from the date to which interest has been paid. The Town shall be obligated to the Owner for an amount equal to five percent of the amount of any payment relating to the Series 2011 Bond not made to the Owner within fifteen days of when due.

This bond constitutes a duly authorized series of special obligation bonds of the Town, designated "Town of Nags Head, North Carolina Beach Nourishment System Special Obligation Bond, Series 2011" (the "Series 2011 Bond"), consisting of a single bond maturing on April 15, 2016, and issued for the purpose of providing funds, with any other available funds, for paying the cost of accomplishing beach improvements described in the Order (hereinafter defined) constituting the Project, as defined in the Order.

The bond is issued under and pursuant to the Constitution and laws of the State of North Carolina, including the Local Government Special Obligation Bond Act, being Chapter 159I of the General Statutes of North Carolina (the "Act"), a bond order duly adopted by the Board of Commissioners for the Town (the "Board") on March 21, 2011 (such bond order, together with all orders supplemental thereto as therein permitted, being herein collectively called the "Order") and a series resolution duly adopted by the Board on March 21, 2011 (the "Series Resolution"). 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 other additions and improvements to the Project constituting Project Improvements, as

defined in the Order, or for refunding any bonds issued under the Order (such additional bonds and this bond being herein collectively called the "Bonds"). Reference is hereby made to the Order for provisions, among others, with respect to the custody and application of the proceeds of the Bonds, the collection and disposition of Pledged Revenues, as defined in the Order, the nature and extent of the security for the Bonds thereby created, the terms and conditions on which the Bonds of each series are or may be issued, the rights, duties and obligations of the Town and the Bond Registrar and the rights of the registered owners of the Bonds. Certified copies of the Order and the Series Resolution are on file at the office of the Finance Officer of the Town. By the acceptance of this bond, the registered owner hereof assents to all of the provisions of the Order and the Series Resolution.

The Pledged Revenues are pledged by the Order to the payment of the principal of and the interest and any redemption premium on the Bonds as provided in the Order. Except as otherwise provided in the Order, the principal of and interest and any redemption premium on the Bonds are secured solely by the Pledged Revenues pledged for their payment in the Order and the Town is not obligated to pay such principal, interest and any redemption premium except from the Pledged Revenues. Any such use of the Pledged Revenues will not constitute a pledge of the Town's taxing power. *Neither the faith and credit nor the taxing power of the Town is pledged to the payment of the principal of or interest or any redemption premium on the Bonds, and no owner of Bonds has the right to compel the exercise of the taxing power by the Town in connection with any default thereon.*

The transfer of this bond is registrable by the registered owner hereof in person or by his attorney or legal representative at the office of the Bond Registrar but only in the manner and subject to the limitations and conditions provided in the Order and upon surrender of this bond. Upon any such registration of transfer the Town shall execute and the Bond Registrar shall authenticate and deliver in exchange for this bond a new Bond or Bonds of the same series, registered in the name of the transferee in an aggregate principal amount equal to the unpaid principal amount of this bond, of the same series and maturity and bearing interest at the same rate, except as otherwise provided in the Order. The Town or the Bond Registrar may make a charge for every such registration of transfer of Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such registration of transfer.

Notwithstanding any other provisions of the Order or the Series Resolution, the Bond Registrar shall not register the transfer of this bond to any person other than a bank, an insurance company or a similar financial institution unless such transfer has been previously approved by the Local Government Commission of North Carolina.

Except as hereinafter provided, this bond shall not be subject to redemption prior to maturity.

This bond shall be subject to redemption prior to maturity in whole or in part at the option of the Town on any date, upon giving the Owner not less than thirty (30) days' written notice, from any moneys that may be available for such purpose at the principal amount of this bond, together with the interest accrued thereon to the date fixed for redemption, plus a premium equal to the Reinvestment Loss. "Reinvestment Loss" means the present value of the difference between (1) the amount that would have been realized by the Bank on the redeemed amount for the remaining term of this bond at the Federal Reserve H.15 Statistical Release rate for the fixed-rate payers in the interest rate swaps for a term corresponding to the term of this bond, interpolated to the nearest month, if necessary, that was in effect on the date of delivery of this bond and (2) the amount that would be realized by the Bank by reinvesting such redeemed funds for the remaining term of the Series 2011 Bond at the Federal Reserve H.15 Statistical Release rate for fixed rate payers in interest rate swaps, interpolated to the nearest month, that was in effect on the date fixed for redemption; both discounted at the same interest rate utilized in determining the applicable amount for clause (2) above. Notwithstanding the foregoing, any redemption of the Series 2011 Bond, whether in whole or in part, will be subject to a minimum redemption premium of 0.5% of the amount being redeemed and a maximum redemption premium of 2% of the amount being redeemed. The Bank shall provide the Town with a written statement explaining the calculation of the premium due, which statement shall, in absence of manifest error, be conclusive and binding on the Town. If such redemption is in part, the Town shall notify the Owner of the Amortization Requirements against which the principal amount of such redemption shall be applied, and the Bond Registrar shall keep a record thereof.

This bond shall be subject to redemption prior to maturity in part on April 15 in the years 2012 through 2015 in amounts equal to the respective amortization requirements therefore as established in the Series Resolution (the "Amortization Requirements"), at the principal amount of this bond to be redeemed, together with accrued interest to the date fixed for redemption, without premium.

Notice of redemption of this bond in amounts equal to the Amortization Requirements need not be given, unless otherwise required by law, and the registered owner of this bond shall not be required to present and surrender this bond to the Bond Registrar for payment of the redemption price of this bond.

The registered owner of this bond shall have no rights to enforce the provisions of the Order or to institute action to enforce the provisions 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 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 Town only to the extent and in the circumstances permitted by the Order.

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.

CERTIFICATE OF LOCAL GOVERNMENT COMMISSION

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

[manual signature]

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.

Finance Officer of the Town of Nags Head, North
Carolina, as Bond Registrar

By _____
Authorized Signatory

Date of authentication: _____

ASSIGNMENT

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

Dated: _____

Signature Guaranteed:

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.